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ASEAN BANKS LISTED AMONG WORLD'S TOP 500

Kuala Lumpur BUSINESS TIMES in English 9 Jul 82 p 1

[Text]

ELEVEN Asean banks figured among the world's top 500 last year, two more than in 1980. The newcomers were the fast-rising star, Development Bank of Singapore (DBS), and the Thai Farmers Bank.

Of the 11, there were three Singapore banks, the disproportionately high share in relation to its population testifying to the republic's status as the hub of banking in South-East Asia. However, one of the three — the Overseas-Chinese Banking Corporation (OCBC) — slipped from its position in 1980 as number 477 to the 496 in the ranking worked out by *The Banker*.

The latest issue of the monthly also lists Bank Bumiputra, the largest in the region, as number 215 on the basis of its assets less contra items, up rapidly from the position as number 288 it occupied in 1980.

By contrast, Bank Bumiputra's closest two rivals in the region — Bangkok Bank and Philippine National Bank (PNB), respectively number 219 and 252 — barely moved from their previous positions, reflecting the much slower growth of their assets.

Malayan Banking edged up from its position as number 373 in 1980 to number 368 on assets totalling US$3.54 billion last year.

Besides Bank Bumiputra and DBS, three other banks registered rapid growth. Two of these were Indonesian — Bank Bumi Daya and Bank Negara Indonesia — and the other was United Overseas Bank of Singapore.

Bank Bumi Daya moved up 49 rungs to become number 316, and Bank Negara Indonesia rose 62 rungs to take the number 323 slot on the list.

United Overseas Bank, on its part, became number 357 from number 391 a year earlier.

However, DBS, Bangkok Bank and PNB lead in terms of profitability, even though in the last two cases their assets have not increased by leaps and bounds. Bank Bumiputra's profitability did not rise by much. Only DBS among the major Asean banks experienced high assets growth as well as high profitability, adding lustre to its record.

A separate listing of the top 100 based on their capital/assets ratio yielded interesting results. Three Asean banks stood among the leading 15, making a total of five on the list.

OCBC stood at the number two spot and United Overseas Bank at number three, with capital/assets ratios of 14.01 per cent and 13.03 per cent respectively.

The Arab Banking Corporation headed the list with a ratio of 18.61 per cent.

DBS occupied the number 15 spot while Malayan Banking with only a slightly lower ratio of 7.34 per cent stood at number 33. PNB was placed number 64. Its ratio was 6.43 per cent.

No Asean banks were among the top 100 when the ranking was on the basis of deposits. This was not surprising considering that the leaders in this group have huge international networks.

The largest in this category was Bank of America, followed closely by Credit Lyonnais, Banque Nationale de Paris (BNP), Barclays of Britain and Credit Agricole.

Going by assets, the ranking of the top half-dozen was not much different. Citicorp stood second to Bank of America, switching the positions they each held in 1980.

However, BNP, Credit Agricole, Credit Lyonnais and Barclays were lined up closely behind these two in terms of their assets.

Incidentally, Societe Generale, which opened a representative office in Kuala Lumpur two days ago, was placed number seven in terms of its assets.

CSO: 4220/640

RENEWED EMPHASIS ON FAMILY PLANNING, POPULATION CONTROL

Kuala Lumpur BUSINESS TIMES in English 21 Jul 82 p 21

[Article by Anis Ahmed in Dacca]

[Text]

BANGLADESH, one of the world's poorest countries with an annual per capita income of about US$700, is working on a new plan to curb its population, which has doubled in the past 20 years to 92 million.

The government of former President Ziaur Rahman set a target of zero growth rate by the year 2050, but a more recent survey showed the present annual rate was 2.36 per cent — about two million more people every year.

Now the government of military strongman Lieutenant-General Hossain Mohammad Ershad is trying out a new strategy which entrusts village headmen with the task of motivating villagers to adopt family planning measures.

Health Minister Major-General Shamsul Huu said recently that the population explosion was bedevilling the country's efforts towards achieving self-reliance.

The US$165 billion annual development plan for 1982-83 allocated US$84 million for population control.

Family planning experts here say the government's programme can only succeed if all the people living in the nation's 68,000 villages receive basic knowledge about family planning under a comprehensive programme.

So far General Ershad's campaign is concentrating on sending field workers from house to house to preach the merits of a small family, involving the people in each village.

Experts were encouraged when the birthrate fell from three per cent to 2.36 per cent under the late President Zia, who stressed, like General Ershad, that population control was a matter of survival for Bangladesh.

In 1980, a World Bank special report on the country's efforts for birth control said Bangladesh had none of the helpful socio-economic factors conducive to bringing down the birthrate.

It listed these missing factors as high urban population, a mainly non-agricultural workforce, higher life expectancy, fewer marriages under the age of 20, high female literacy, good hospital facilities and a reasonable newspaper readership.

The cost to a desperately poor country of population control programmes is large — 1981 statistics from the Health and Family Planning Ministry showed Bangladesh spent some US$60 million over a six-year period on birth control.

1977, the year General Zia came to power, saw the start of a voluntary sterilisation campaign which passed its target figure of 60,000 sterilisations in a two-month pilot scheme and continued to sterilise 23,000 people a month.

The cost of a single sterilisation was estimated at about US$30, but the benefit to the nation was reckoned to be some US$330 a case.

In 1981, the year President Zia was assassinated, Bangladesh recorded a grain surplus for the first time in its history and even asked Western donors to defer food supplies.

Nevertheless, the government said that year's increase in population would mean the country would need an extra 150,000 tons of food, 281,000 new homes and 750,000 additional jobs. — Reuter

CSO: 4220/641

NATIONWIDE DRIVE TO CHANGE PUBLIC'S DIETARY HABITS

Kuala Lumpur BUSINESS TIMES in English 13 Jul 82 p 10

[Article by Anis Ahmed in Dacca]

[Text]

BANGLADESH has launched a nation-wide campaign to overcome a chronic food shortage by persuading its 92 million people to change their dietary habits and eat less rice.

Food experts are currently sorting out suggestions as to what should be the main supplement to rice and all indications showed that the hitherto neglected potato, rich in starch, has drawn their attention.

After India, Bangladesh is the second largest grower of potatoes in South and South-East Asia and official sources said the production this year stood at 1.2 million tons.

This humble potato has saved millions of Bangladeshi people in the past when famines, caused by drought or floods, gripped this impoverished country.

"Villagers are turning to potatoes again this year as the government warns the people that only a bumper crop could head off a possible famine.

Supplies

Military strongman, Lt-Gen Hossain Mohammad Ershad, said recently that the food situation was at present satisfactory but its future largely depended on the winter crop.

As part of the campaign, voluntary and social welfare organisations are organising exhibitions of food items prepared from potatoes. Such shows, under government patronage, draw big crowds whom the organisers try to indoctrinate with their new ideas.

A recent seminar at Mushinganj, near Dacca, suggested that Bangladesh could drastically cut food imports by increased output and extensive use of potatoes.

The seminar, at which subdivisional martial law administrator Colonel A.M. Shahjalal presided, regretted that "the potato still remains the most misunderstood food in the world."

Bangladesh military authorities are building and repairing warehouses to store potatoes, which would be sent to country markets when food supplies become lean, official sources said.

The attempt to popularise potatoes as a basic food has been welcomed by most people as timely but many suggested that the authorities should also attach importance to other food items, including fruit.

The State-owned *Bangladesh Times* said in an editorial that people should eat fruit as an effective substitute to rice or wheat.

Nature has endowed Bangladesh with a variety of fruit, ranging from oranges to kingsize jackfruit, pineapples, mangoes, bananas, guavas, water melon and other fruit grow abundantly in this tropical country.

But fruit eating has not spread everywhere and only the richer sections of urban people consume fruit regularly.

Bangladesh, the most densely populated country in the world, has a malnutrition rate of more than 70 per cent among children.

According to experts, the nutrition needs of children could largely be met if they were taught to eat more fruit.

Ironically, hundreds of tons of fruit go waste every year because of inadequate preserving or marketing systems.

Transport

Press reports last year said that the most of the pineapples grown in the south-eastern district of Chittagong Hill tracts were damaged because growers could not take them to markets because of a shortage of transport.

The government is also trying to double current wheat production from 800,000 tons of 1.6 million tons of reduce the food gap.

Bangladesh produces about 13 million tons of foodgrains annually against a requirement of about 16 million tons, according to official sources. The shortage is made up through imports and grants from donor agencies.

Food experts believe the government could overcome the food shortage to a great extent by increasing consumption of fish. During the past 20 years, daily fish consumption in Bangladesh dropped by 33 per cent to 22 grammes (little more than half an ounce) per person, according to the national nutritional survey. — Reuter

CSO: 4220/641

ZAIL SINGH SWORN IN AS NEW INDIAN PRESIDENT

New Delhi PATRIOT in English 26 Jul 82 pp 1, 7

[Text] GIANI ZAIL SINGH ON SUNDAY ASSUMED OFFICE AS THE SEVENTH PRESIDENT OF THE INDIAN REPUBLIC AT A GLITTERING CEREMONY HELD IN THE CHANDELIERED DURBAR HALL ON RASHTRAPATI BHAVAN WITH A PLEDGE TO LIVE UP TO THE HIGHEST AND NOBLE TRADITIONS OF HIS DISTINGUISHED PREDECESSORS.

Dressed in a white achkan, churidaars and turban, the 66-year-old new President was administered the oath of office in the name of God by Chief Justice Y V Chandrachud. A large number of VIPs, including outgoing President Neelam Sanjiva Reddy, Vice President M Hidayatullah and Prime Minister Indira Gandhi, her Cabinet colleagues and members of the diplomatic corps were present during the ceremony.

Giving a call for unity of minds and hearts amongst peoples of different States, religions and castes, the first Sikh President of the Republic said we have to rededicate ourselves to create a climate, as would be salubrious to social and economic emancipation of the weak, undernourished and the down-trodden.

Mr Zail Singh said that around us we see strife, violence, terrorism and wanton destruction of property and innocent lives. If the human race is to survive, it must create more rational and humane conditions, free from fear, distrust and want.

Stressing the need for peace and harmony in the world, Mr Singh, the first person from a backward community to be elected to the highest office, expressed his concern over events "in our not too distant neighbourhood". We would like to be friends with one and all and live in a spirit of amity and comradeship with neighbours, he added.

Mr Zail Singh noted that our nation is blessed with a stable democratic set up, a hardworking and versatile people, a prolific rank of distinguished scientists, courageous jawans and enterprising working class and kisans. Progress, prosperity and advancement will be assured only if we steel our will to harness our natural resources along with our rich human resources, he observed.

Mr Zail Singh said 'we need vigour and a rekindling of the moral timbre, of the channelising of energy into constructive purposes and a sense of urgency to do our very best in every field". Communal frenzy, caste distinctions, political apathy, fissiparous tendencies, violence and the cult of terrorism can only contribute to enervating the great legacy left behind by statesmen, leaders, saints, sages

and seers of our land, culturally so rich, aesthetically so pure and endowed with great literary traditions which have enriched Indian life with serenity in the midst of modern technology.

"The situation demands of us ardous work and unrelenting devotion to duty wherever we are".

Mr Zail Singh pledged that as the President, he would act "as a servant of the nation without fear or favour". He would discharge his duties enjoined on him by the Constitution true to the dreams of its founding fathers.

"In all humility, I appeal to my friends and comrades in public and political life and to the nation to extend to me in the days ahead, their generous cooperation", the President added.

Mr Zail Singh was frequently cheered by the invitees who had virtually occupied every inch of space in the Durbar Hall.

The ceremony began with a fanfare by buglers as the President-elect was escorted to the Durbar Hall by outgoing Presi-

(Coutinued on page 7 Col 5)

GREETINGS

West German President Karl Carstens on Sunday felicitated President Zail Singh on his assumption of office and expressed confidence that the friendly relations already existing between our two countries will be further deepened and strengthened, report agencies.

In a message to Mr. Zail Zingh, Mr Carstens sent him his congratulations on his being elected to the presidency and wished him all success in your responsible task and also personal health and well being.

In his message, Bangladesh President Justice Abul Fazal Mohammed Ahsanuddin Chowdhury expressed the hope that friendly relations between our two countries will continue to be further strengthened during your term of office.

In his message of felicitation, Chief Martial Law Administrator dent Sanjiva Reddy. Mr Zail Singh sat on the left of Mr Reddy as the band played the National Anthem.

Soon after, Home Secretary T N Chaturvedi read out the Election Commission's declaration announcing the name of the President-elect in English and Hindi with the permission of Mr Sanjiva Reddy.

Chief Justice Chandrachud then administered the oath of office to a visibly excited and beaming Mr Zail Singh who took the oath in English.

Mr Reddy rose from his chair and the new and outgoing incumbents exchanged seats and hugged each other amidst a thunderous applause. A 21-gun salute followed.

Then the new President gave his first Presidential address in Hindi watched by his wife, Mrs Pradhan Kaur, son Joginder Singh, daughers Durdeep, Manjeet and Joginder Kaur and son-in-law S S Birdi.

President Zail Singh accompanied former President N Sanjiva Reddy till the gate of the Darbar Hall where they bid good bye to each other.

Vice-President Hidayatullah, Prime Minister Indira Gandhi, Lok Sabha Speaker Balram Jakhar and other invitees proceeded towards the steps of Darbar Hall to witness the first Inter-Services guard of honour to be inspected by the new President who in the meantime proceeded to the study.

President Zail Singh arrived in a horse-drawn state coach at the forecourt flanked by his ADC and bodyguards. The Vice-President and Prime Minister received him near the saluting dais where they exchanged greetings.

A beaming Giani Zail Singh inspected the guard of honour before leaving the forecourt by car for his study.

The guests dispersed after the conclusion of the 50-minute ceremony.

CSO: 4220/7678

PRESIDENT SINGH GIVES INTERVIEW TO 'LINK'

Summary of Interview

New Delhi PATRIOT in English 22 Jul 82 p 1

[Text]

President-elect Giani Zail Singh has called for a unity of all patriotic forces, as was generated during the freedom struggle, and a new patriotic fervour to build a socialist society.

'We have to build a political atmosphere for social transformation through the unity of all those who are committed to the objectives enshrined in the Constitution', he said in an exclusive interview to LINK editor V D Chopra.

Giani Zail Singh dwelt at length on the imperatives of national unity the threat to world peace and the participation of the masses in the process of nation building.

While there was no doubt, he said, that divisive forces had been very active in the recent past posing a serious problem to India's unity the fruits of education and the restiveness of a new middle class which had its aspirations and expectations had contributed to the gigantic task. A new climate had been created in some of the most backward and underdeveloped areas. 'It is this consciousness which is being disoriented by certain elements'.

'It calls for united efforts for secularisation of the political climate and no single party alone can discharge this responsibility', he said, appealing for a broad national unity.

The President-elect gave a three-point progamme which can povide the basis for national unity — implementation of the directive principles of the Constitution, defence of India's security and of its sovereignty and national integrity.

Giani Zail Singh expressed his deep anxiety at the threat to world peace. 'The international situation is very grim. It is almost a touch and go affair'. More than that, he said, was the threat of nuclear war. 'It makes me sleepless on some nights when I think of what will happen to our grandchildren'.

Recapitulating his own association with the peace movement, Giani Zail Singh said India had to play a leading role for the cause of international peace. 'It is in our blood. It is rooted in our glorious history'.

'The land of Budha and Gandhi should never lag behind in the struggle for preservation of peace. This is the only way we can play our rightful role in international affairs'.

Speaking of the new role he assumed after taking oath on 25 July, the President-elect said he would not falter in upholding the Constitution, both in letter and spirit.

While he thanked those who had voted for him, Giani Zail Singh had warmth for those also who did not. 'I am indebted to them. By voting against me, they have reminded me of the heavy responsibility which the nation has placed on my shoulders'.

Excerpts of Interview

New Delhi PATRIOT in English 22 Jul 82 p 2

[Text]

The following are excerpts from President-elect Zail Singh's interview to LINK Editor V. D. Chopra:

Question: Now that you have been elected President of India, what is uppermost in your mind?

Answer: To my mind, after the Constituent Assembly had passed our Constitution, the most important development that took place in the constitutional history of our country was in the seventies when we changed the preamble to the Constitution and resolved to constitute India as a Sovereign, Socialist, Secular, Democratic Republic. This preamble read with the Directive Principles of the Constitution, in fact, is the sheet-anchor of India's national objectives.

I am a simple ruralite, a 'dehati'...I am not versed in the sophistication of the urban culture...But I know one thing and that is that the real India still lives in its villages. The dreams of these villagers, their aspiration, have still to be fulfilled...We have made remarkable progress all round... from a most backward country we have become the most developed among the developing countries and that too in about three decades or so. Every Indian should be proud of this because what we have built on the remnants of the British colonial rule and primarily through our own efforts is indeed a tribute to the ingenuity of the Indian people and their hard work. Still we have a long way to go to achieve the objectives enshrined in the Constitution.

SOCIALIST SOCIETY

Question: My feeling is that we are not building a socialist society. We are rather building an acquisitive society. Something has gone wrong somewhere....

Answer: I know what you have in mind. What you say is partially correct but only partially. Half-truths are always dangerous. No movement for socio-economic changes can succeed, much less in a democratic society like ours, unless it is backed by the people. I know economic disparities have not been reduced as needed. I do not deny it. In fact, if you ask me it is a disturbing development. The legacy of the colonial period cannot be overcome in a short span of time. It is a time-consuming process and, above all, a process which involves mobilisation of human resources on a scale much bigger than perhaps what we had during the freedom struggle under the leadership of Gandhiji and Jawaharlal Nehru. If you ask me, frankly, what we need is a new patriotic fervour to build a socialist society and this needs, in the first instance, unity of all the patriotic forces —something like what we built during the freedom struggle.

Question: How to build this patriotic unity and create this patriotic fervour? Any suggestion?

Answer: You are asking me this question. Why don't you address this question to yourself? You yourself have participated in the freedom struggle and you know how....? But on two points I am absolutely clear. First of all, we have to build a political atmosphere for social transformation. This means all those who are committed to the objectives enshrined in the Constitution should unite. Secondly, the intelligentsia and the mass media have an important role to play.

You have to see that there is a basic difference between the situation in the country now and the one obtaining during the British rule. There were then clear manifestations of a foreign rule and the people could be roused against it. Now a new type of consciousness has to be created among the people....

My experience of PEPSU and Punjab about land reforms, for instance, is that without mass support even limited land reform measures cannot be implemented...As Home Minister also I noticed that some of the States did not implement many measures which were directed to elevate the conditions of life of weaker sections of population particularly the Scheduled Caste and Scheduled Tribes. In fact, the funds allocated for this purpose were directed to other channels.

Question: But there are new manifestations of foreign pressures on us?

Answer: What do you mean by that?

THREAT TO SECURITY

Question: What is meant is that threat to India's security of late has increased manifold and we have a feeling that we are being militarily encircled. What are your comments on it?

Answer: We certainly are facing new security problems. There are no two opinions about it. This again brings out clearly that a broad national unity has to be built to face these new challenges.

Question: Of late, in certain parts of the country regional and secessionist forces have been very active. You have been closely watching these developments and in certain cases have directly handled the situation. Would you kindly throw some light on this subject which has a direct bearing on India's unity?

Answer: There is no doubt that divisive forces in certain parts of the country have been very active in the recent past. This poses a serious problem to India's unity. However, there are certain important elements of this problem which need to be mentioned.

After the freedom of the country an explosion of education look place and now a new middle class has come into being. It has its own aspirations and expectations. It is, therefore, becoming restive and impatient. This is an important factor.

Secondly, after over three decades of Independence, a new consciousness about their identity has developed in the various parts of the country.

Thirdly, there has been an uneven pace of economic development in the various regions of the country.

These socio-economic factors have created a new climate in some of the most backward and underdeveloped areas. It is this consciousness which is being disoriented by certain elements. It is essentially a socio-economic and political problem. It calls for united efforts for secularisation of the political climate and no single political party can discharge this responsibility.

Question: What can be the broad basis, in your opinion, for national unity?

Answer: I have already answered your point. To my mind a three-point programme can provide the basis for national unity—implementation of the Directive Principles of the Constitution, defence of India's security and sovereignty and national integrity.

Question: If you permit me, may I ask you one or two more questions? I have already taken a long time and hundreds of people are waiting outside.

Answer: Please go ahead.

WORLD SITUATION

Question: Would you like to say something on the current international situation?

Answer: I was anticipating this question from you because I regularly read your publications—PATRIOT and LINK — primarily to have an objective assessment of the world situation.

Well, I think the international situation is very grim. It appears to me that it is almost a touch-and-go affair. But what worries people like me is not only the danger of another war but the danger of a nuclear war, which would destroy the entire human race. If I am not mistaken, I read somewhere what the great scientist Einstein once said that if there was a third war it would be so devastating that the fourth war would be fought with bows and arrows. I may be wrong in quoting him. But I am giving the gist of what I read from memory... And yes, Jawaharlalji had visualised even in the fifties the danger of another war when the cold war had just begun. That perhaps was the reason why he evolved the policy of non-alignment and peaceful coexistence of various States with diverse social systems. His concepts are more relevant today than ever before.

You and I should not be worried about ourselves. We have had the best in life by the grace of God. But what makes me sleepless on some nights is what will happen to our grandchildren who have seen nothing in life. It is really horrifying to think of another war and that too a nuclear war.

Question: What do you propose to do as Head of the Indian State to preserve peace and avert another war?

Answer: You know that for nearly two decades I have been closely associated with movement for preservation of peace. I am confident that India will continue to play a leading role for the cause of international peace. This is in our blood. It is rooted in our glorious history.

In fact, to the readers of your publications, I can give only one message: The people of the land of the Buddha and Gandhiji should never lag behind in the struggle for preservation of peace. This is the only way we can play our rightful role in international affairs.

As this correspondent got up to take leave, the President-elect said: I have one more question to answer, though you have not asked it.

I am thankful to all those who voted for me and I want to assure them that I will not falter in upholding the Constitution, both in letter and in spirit. But I am also indebted to those who voted against me. By voting against me, they have reminded me of the heavy responsibility which the nation has placed on my shoulders.

CSO: 4220/7672

GANDHI EXPECTATIONS FROM U.S. VISIT 'OBSCURE'

Calcutta THE STATESMAN in English 21 Jul 82 p 8

[Article by Amalendu Das Gupta]

[Text]

A FEW days before Mrs Gandhi announced the plan for her American visit, she mentioned in an informal conversation that she had been invited—observing casually that Washington must have taken note of her highly successful visit to Britain. Evidently pleased, she readily agreed with a suggestion that the Reagan Administration's actions had been less hawkish than its early declarations. And she added that the President's aides were perhaps more hawkish than Mr Reagan himself.

This is being recalled as a preamble to an argument that the Prime Minister's visit to the United States next week has been planned on uncertain and somewhat simplistic premises. Consultations during the past few months have tried to build a coherent frame for the talks, but apparently without much success. Hence perhaps the recent effort in New Delhi to discourage any expectation of "dramatic" results.

This is easily explained; the idea of the visit did not emerge from a process of mutual exploration gradually unfolding the scope for a personal exchange at the highest level. From what has been unofficially revealed so far (without any official contradiction), Mrs Gandhi herself indicated an interest last year, either before or after the brief Cancun meeting with Mr Reagan. The encounter is said to have gone very well, but mainly in terms of their impressions of each other. She found the U.S. President, as she says in her recent Newsweek interview, "an open person willing to listen". Since, in her own words, "the points of view of other people" need sometimes to be put to busy heads of State "involved in their own concerns", she must have decided to seize, or find, an early opportunity of doing so.

HAIG'S IDEA

But, despite the pleasing impression she is said to have made on Mr Reagan, he is not known to have taken any personal initiative in inviting her to the United States. The idea is said to have been put forward last year by Mr Alexander Haig (though he must have been among the aides whom Mrs Gandhi described as being more hawkish than the President), and then pursued by the State Department. It may also have been vigorously pressed by the U.S. Ambassador to India. The White House did not object when the proposal came up for clearance. This may by no means be the full story; but there is no evidence of a considered policy decision taken by the Administration as a whole or by Mr Reagan himself.

Mrs Gandhi's own interest, however, has never been in doubt; it was particularly noticeable in the way she herself told the Press about the planned visit when leaving for Saudi Arabia last April, without waiting for the details to be settled. Washington, apparently, was not prepared for the announcement. When the time of the visit was subsequently changed, it was not unreasonable to conclude that the White House had been unable to accommodate the travel plan indicated by the Prime Minister. No other credible explanation has been available yet.

If her own eagerness was res-

ponsible for this embarrassing change, it was uncharacteristic of her. One tentative explanation, suggested by the way she savoured the "success" of her visit to Britain, is that she has lately been anxious to win the approbation of those Western Powers which had been the most critical of her during the Emergency and before. She has already had some success to this direction, but the process remains incomplete without American acceptance. This effort to live down the Emergency or pre-Emergency past necessarily entails, in the international context, a reorientation of her foreign policy; she must also live down the reputation of being a committed Soviet ally (to avoid more pejorative terms). Some change in posture, if not policy, is already discernible; and the impression is reinforced by the far more substantial change in economic direction.

When, before her public announcement, she mentioned the American invitation, she also agreed that her economic policy would now be more acceptable to the West, especially the United States; but she hastened to add that the policy had been revised in India's own interest, not to please anyone. Surely she would also insist that if there is any shift in foreign policy it is based on independent judgment, not intended to placate any foreign Power. It does seem, however, that her personal interest in mending fences with Washington has coincided with certain indications of a desire to repudiate New Delhi's blanket identification with Soviet interests.

NO CLARITY

Such a convergence should not necessarily be suspect. If a course seems right on merits, it need not be flawed by the fact of a personal interest in following it. But it must still be asked whether the latest initiative is being taken after a sufficiently dispassionate assessment of what it can yield. It is all to the good if Mrs Gandhi is trying to steer the nation back to a position of genuine non-alignment, a phrase she derided not so long ago but may not openly denounce now. There has lately been some evidence that New Delhi is seeking to reduce its dependence on the Soviet Union and distance itself a little from Moscow's position on issues like Afghanistan. But a clear new direction has not yet emerged; the reassessment that must precede it seems still incomplete or tentative. This seems hardly the most appropriate time for a summit dialogue with the United States.

Some may argue that that an exchange of views would be particularly useful at this stage, since it would be relevant to a fresh assessment of Indian options in the light of U.S. assessments and plans. This might have been a valid proposition if the Reagan Administration's foreign policy impulses had been less chaotic, and if India, or South Asia, or the Third World as a whole, had been one of its important concerns. The incoherence of its international postures and policies has become a subject of major concern for its allies. Mrs Gandhi can hardly expect a clearer and more dependable formulation.

If the Administration's record has been less hawkish than its rhetoric, it is largely because of an immaturity in word and ineptness in deed. It would be a mistake to believe that experience of presidential responsibility has made Mr Reagan modify or refine his simple black-and-white notions of the world. Clarifications of the Indian position may well be construed as definitive statements of change, which Mrs Gandhi might subsequently find difficult to own. Besides, are the differences between New Delhi and Washington merely a product of misunderstanding? Even over such issues as Pakistan, Afghanistan and Kampuchea? Will the "clarified" Indian position be so different from the hitherto apparent one as to be the basis of new understanding?

The Prime Minister's advisers cannot be unaware of the difficulties likely to be encountered. Hence perhaps the suggestion that the effort will be to separate the various issues so that differences over one do not prejudice a dispassionate consideration of another. This is a more pragmatic approach than one based on a supposed identity of "basic interests and values". These have also been mentioned, but Mrs Gandhi herself seems to have tired of this pious rhetoric. In the Newsweek interview, she asked quite devastatingly: "Do you think democracy has anything to do with friendship?" "Look at the countries and regimes that are supported by the United States", she added. "I don't think the Reagan Administration is bothered whether or not they are democratic".

But Mr Reagan may not be very good at realpolitik either, not to speak of mature acceptance of a plurality of perceptions, views and interests. The

visit will certainly reinforce his impression of Mrs Gandhi as being a nice person, quite different from the ruthless fellow-travelling dictator he had been led to expect. But then he may wonder how such a nice and intelligent person can fail to appreciate what he proposes for the good of all decent human beings? That this is not just facetious speculation is suggested by a report that he may seek Mrs Gandhi's help in promoting his plan to support democratic institutions in developing countries with American money.

Mercifully, President Reagan may not have time to discuss such specific projects in the course of a two-hour meeting with Mrs Gandhi. What, indeed, they will discuss is not clear. It has been reported that they will not get down to considering specific bilateral problems, such as Indian anxiety over American arms supplies to Pakistan. Perhaps there will be little more than a general exposition of each other's concerns, with assurances of mutual goodwill and readiness to consider differing points of view. The exposure, to use a word made fashionable in P.R. business, cannot do any harm; it may, in fact, do some good if the heads of two Governments, which have not exactly operated on the "same wavelength" in recent years, come to like each other more, and even develop a little personal trust.

SOME BENEFITS

The real expectations are more evident in the schedule for Mrs Gandhi's engagements with the Press, TV and other opinion-forming organizations. The immediate results are almost certain to be impressive; and, given the influence of the media and various lobbies in America, there may also be some longer-term and tangible benefits. The climate for economic cooperation has already improved; the impact of the visit is likely further to stimulate private business interest. Even official policy on economic assistance may become a little more helpful, though too much need not be read into the U.S. support for the second instalment of IMF credit.

These will not be inconsiderable gains. But will they be enough? Will Mrs Gandhi herself be content with them? After all, this will not be a visit within an established framework of high-level exchanges; the Prime Minister is going to the United States, largely on her own initiative, for the first time after a not-too-happy mission in 1971. It is not only public, but also her own, expectations that must be raised by this background. Yet what exactly she expects to achieve is still rather obscure. Closer economic collaboration, or even possible defence supplies, could have been negotiated at other levels.

Personal diplomacy at the highest level can be uniquely effective when conventional channels are blocked, as they were between the USA and China before Dr Kissinger and Mr Nixon travelled to Beijing to talk to Zhou Enlai and Mao Zedong. This is not the case between India and the USA; nor is there a comparable mission, if there is a clear one at all. The most likely and agreeable outcome of the visit will be a change in India's international "image"; there may be a greater readiness abroad to regard Mrs Gandhi as a political leader with an open mind presiding over an open society. But the impression cannot last without a domestic record to sustain it.

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REPORT ON PRESIDENT REDDY'S FAREWELL BROADCAST

New Delhi PATRIOT in English 25 Jul 82 pp 1, 7

[Text]

OUTGOING President Neelam Sanjiva Reddy has said it is a matter of regret that over the years a united Opposition, which could provide an alternative to the party in power, had not evolved, reports PTI.

In his farewell broadcast to the nation on the eve of laying down office on Saturday night President Reddy said whichever party might be in power, there must be an Opposition that could expose the mistakes and misdeeds of the ruling party, so that the latter might always be kept on its toes.

"An alert Opposition, capable at any moment of providing an alternative to the party in power is the only safeguard against misrule", the 70-year old Mr Reddy said.

He expressed the hope that those who were active in the country's political life would appreciate the importance of a united, responsible and effective Opposition and work for its emergence.

Mr Reddy, whose farewell message was also telecast by Delhi Doordarshan and its other centres, referred to the country's political scenario and certain trends like the growing disparities in income and wealth distribution.

At the same time, Mr Reddy highlighted the manifold achievements the country had made in the field of good, industry, science and technology, and said "a nation that has achieved so much in the short span of 30 years gives promise of ability to bring about a better life for the mass of its people"

But the main thrust of the retiring President's broadcast was on nurturing and strengthening democracy in the country.

Mr Reddy, who briefly referred to some of his decisions during the critical period the country faced following the fall of the Janata Party Government in 1979, said "constitutional experts may have differences of opinion about the correctness of some of my decisions but the people, approved of the way I had dealt with the situation"

Mr Reddy said he would retire as a contended man. He had no intention of associating himself with party or group politics. "But for whatever counsel I may be capable of giving and whatever service I may be in a position to render to the nation, I will always be available" he added.

Mr Reddy said while the lamp of democracy had been extinguished in some countries around us, "we have reason to feel pleased that we have adopted and have been following the democratic system of Government.

"Our people have made it clear beyond doubt that they will not accept abrogation or abridgement of human rights and freedom and have shown their clear preference for the democratic system", he said.

Democracy, he said, was not just a political system. A mere facade of elections and an assembly of elected representatives was not the totality of its content. It was essentially civilised conduct of human relations and affairs. Restraint and moderation, understanding and accommodation, decency and uprightness were the basic values that formed the basis of a sound democratic system.

"If we ponder over the country's political scenario and examine how far our conduct of public affairs is inspired by

these qualities, we can have little cause for satisfaction", Mr Reddy said.

"Our people haw shown a clear preference for the democratic system but if we make a mockery of it, will the public, whose disillusionment is daily growing, accept this state of affairs for long?" he asked.

He also called for a spirit of reconciliation and of cooperative endeavour, steering clear of divisive politics, so that national energy might be harnessed in the pursuit of a larger measure of welfare for the people.

Referring to the growing disparities in income and wealth distribution, Mr Reddy said concentration of wealth, apart from its socially undesirable consequences, had disturbing implications for the working of our democratic system.

"While there is little doubt that large investments for development over the successive five year plans have added to the country's wealth, for the majority of our people, there has been no marked improvement in living standards", he noted.

The per capita availability of essential comodities had been fluctuating and had not shown any significant improvement. The per capita income at current prices had been increasing, but at constant prices there had been little improvement. "That the cost of living has relentlessly been going up is borne out by the Government's own action in increasing the rates of dearness allowance twice or thrice or oftener in the course of a year"

Mr Reddy said he was not unaware of the country's many achievements since attainment of independence. Near self-sufficiency in the matter of food, large industrial capacity in capital intermediate and consumer goods, enormous improvement in transport, power and other basic requisites, rapid strides in science and technology including such sophisticated areas as nuclear power and space technology were creditable achievements.

He said critical examination of the investments already made with a view to maximising the benefits from them and priorities to be followed hereafter need to be undertaken so that there might be visible improvement in the living condition of the poor.

"Above all we must realise, as Gandhiji often told us, that positions of power and authority are places of public trust and learn to hold public office in that spirit", Mr Reddy said and added that once the people realised that their chosen representatives were persons of integrity imbued only by a spirit of service, they would not only be enthused to join in a national effort for growth and development, but would be ready to endure hardship.

At the outset, the President thanked the people for the confidence reposed in him and for the affection and goodwill they had shown him not only as President but indeed all through his public life covering a span of over 50 years.

Referring to his humble family background, Mr Reddy said "through the trust reposed in me, the affection shown to me by the people and the inspiration of leaders like Mahatma Gandhi and Jawaharlal Nehru, I had the privilege of rising to the highest position in the country".

He said the goodwill and affection of the people and the grace of god enabled him to hold several offices—Minister in the composite State of Madras, Deputy Chief Minister in Andhra, first Chief Minister of Andhra Pradesh, Union Cabinet Minister and Speaker of the Lok Sabha—and finally the highest office in the country—that of the President.

"Gandhiji made men out of dust and it is to his inspiring example and leadership that I must pay tribute to such successes as I have been able to make of my life", Mr Reddy said and offered his services to the country in the event of any emergency.

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GANDHI, RAO SPEAK ON SITUATION IN LEBANON

Bombay THE TIMES OF INDIA in English 22 Jul 82 p 9

[Text]

As a gesture of India's moral support to Palestinian people in their fight against Israeli aggression, the Prime Minister, Mrs. Indira Gandhi, today handed over three truckloads of medicines and blankets to the PLO ambassador, Mr. Faisal Aweida, for distribution among injured people in Lebanon.

Both the Prime Minister and the external affairs minister, Mr. P. V. Narasimha Rao, who spoke on the occasion, reiterated the stand of the government of India and the people in favour of creation of a homeland for the Palestinian people at the earliest.

"It is not a question of settling them here and there. We must find a permanent, lasting and just solution to the cause and until that is done no palliatives will work," Mr. Rao said.

Endorsing his views, Mrs. Gandhi said, "our hearts have been full of anguish since the situation was unnaturally and unnecessarily created in Lebanon, a problem which did not exist". There was perfect peace, unity and harmony among the people of different religions who were living in that area.

But, a problem, which existed in Europe was suddenly uprooted from there and planted at the other soil so that those who were really guilty washed off their sins and a whole people were denied their homeland and denied their basic rights, Mrs. Gandhi said.

"I myself have visited some of the refugee camps many years ago in Lebanon when I had gone there with my father."

Mrs. Gandhi said it was always a pleasure to meet the PLO ambassador and his wife but today she was meeting them on a sad occasion. "Today the situation is a desperate one and all friends of Palestinian people can only hope and pray and do whatever little from outside".

Mrs. Gandhi said the gift that was being given today was due to the endeavour of a very small group of people. The government and her party had sent assistance to the PLO in their just fight against the Israeli aggression.

The Prime Minister also announced the constitution of a committee headed by Dr. Shankar Dayal Sharma, MP, former Congress president, which would receive voluntary monetary contributions for extending the same to the PLO, who she said, were fighting bravely under the leadership of Mr. Yasser Arafat, against tremendous odds.

The Indo-Arab Society, Bombay, had collected the medicines and blankets from various factories following a call given by the Prime Minister.

Each of the bundles of medicines and blankets donated by the factories, contained a message from Mrs. Gandhi stating "a revolution supported by its people, like the Palestinian revolution is, cannot be defeated".

The external affairs minister who had returned here recently after attending the extraordinary meeting of non-aligned nations' bureau at Nicosia, said the handing over of the medicines and blankets marked in a small way "what India wants to do for our PLO brethren". Needless to say, India wanted to do much more."

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CPI NATIONAL COUNCIL ISSUES RESOLUTION ON MIDEAST

New Delhi PATRIOT in English 24 Jul 82 pp 1, 7

[Text] The national council of the Communist Party of India has welcomed the stand taken by the Government of India in all forums reiterating its support for the Palestine Liberation Organisation, ordering the expulsion of Israeli consul in Bombay and also its gesture of supplying medical and other aid to the PLO fighters.

This is highlighted in a resolution adopted by the council, which is currently meeting in the Capital for five days from Thursday.

The resolution extended full support to the PLO braving brutal Israeli aggression backed by the USA, and called upon all CPI units as well as anti-imperialist and peace forces in the country to step up their campaign in solidarity with the PLO and undertake large-scale collection of medicines and funds for the embattled Palestinians and Lebanese.

"Except for the double-faced policy of the BJP and a handful of other reactionaries, the entire Indian people wholeheartedly stand behind the PLO and its cause, the resolution said.

Expressing profound admiration for the intrepid PLO fighters, the council noted: "The fighting PLO and patriotic Lebanese forces have by their death-defying courage written a new brilliant chapter in heroism. It underlined the fact that the Israeli aggressors using diabolical armaments of mass destruction had killed over 40,000 Lebanese and Palestinian civilians, mostly children, repeating Hitlerite methods.

The council demanded immediate halt to the Israeli aggression, lifting of the blockade of Beirut and withdrawal from all occupied territories. It further demanded that the International Conference proposed earlier, including the PLO as the sole legitimate representative of the Palestinian people, should be convened in order to reach a final and lasting settlement.

The resolution observed that men of goodwill all over the world were coming out in unprecedently huge demonstrations in revulsion against this 'brigandish' aggression. "Even in Israel powerful demonstrations have taken place in the capital Tel Aviv against this mad adventure and calling for withdrawal of troops from Lebanon. The Communist Party of Israel is playing a valiant and noteworthy role in this campaign."

It explained that Israel's persisting genocide in total disregard of the UN decision was an eloquent testimony of the "criminal US hand behind it and the Reagan strategy of confrontation and world domination". The US, apart from supply of sophisticated military hardware to Israel, exercised veto in the Security Council and attempted to induct US troops into Lebanon in the name of bringing about peace, it added.

The resolution lauded the Soviet role in providing all possible assistance to the PLO and Syria to withstand the Israeli onslaught, apart from political and diplomatic initiatives to bring about peace in the area to prevent induction of US troops directly into Lebanon.

It further pointed to the call of the non-aligned movement for sanctions against Israel and its demand for implementation of the UN resolution. But it conceded that at this critical moment the absence of Arab unity and active support "is weakening the struggle against imperialism and its Israeli agents" and "hampering the cause of the Palestinians — their right to life, security and independent homeland".

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LOK SABHA MEMBERS CONDEMN ACTIONS BY ISRAEL

Madras THE HINDU in English 23 Jul 82 p 6

[Text]

Members unequivocally condemned in the Lok Sabha today the Israeli aggression of Lebanon and criticised the U.S. for supporting an aggressor.

A CPI (M) member, Mr. Satyasadhan Chakrabarty, even demanded that the Prime Minister, Mrs. Indira Gandhi, should cancel her coming visit to the U.S. and the Israeli Consulate in Bombay should be permanently closed.

The BJP leader, Mr. A. B. Vajpayee, however, disagreed with Mr. Chakrabarty and said he would urge Mrs. Gandhi to use all her skill in persuading President Reagan to follow the right path.

Making clear his party's position on the Lebanon situation, Mr. Vajpayee said the Israeli aggression could not be supported. The situation in West Asia could not be eased till the Palestinian problem was solved.

When a Congress (I) member, Acharya Bhagwan Dev, interrupted Mr. Vajpayee and reminded him of the views of his party colleague, Mr. Ram Jethmalani, on the Israeli aggression, the BJP leader remarked: "Those were Mr. Jethmalani's personal views.

Stating that the Israeli aggression was nothing but "a crazy act", Mr. Vajpayee saw portends of the "beginning of a third world war".

The Prime Minister, Mrs. Indira Gandhi's July 8 statement on the situation in Lebanon was generally welcomed by all sections of the House and members hoped in her talks with Mr. Reagan, India's attitude would be made amply clear.

Mr. Indrajit Gupta, CPI leader, who initiated the debate, welcomed Mrs. Gandhi's statement but said he was sorry she had not called a spade a spade as India did in case of South Africa on the question of apartheid.

In a forceful speech, Mr. Gupta demanded immediate closure of the Israeli Consulate, even if temporarily, a withdrawal of Israeli forces from Lebanon followed by a negotiated settlement.

Emphasising the need for an active role by the non-aligned nations, especially India, Mr. Gupta said this was the only hope as the Arab world was "disunited and vacillating". Israel was defying all international norms and the Security Council was "paralysed".

If the Arab world had even threatened to cut off oil supplies and withdraw deposits in U.S. banks, it would have made Mr. Reagan think 10 times before giving Israel the green signal to invade Lebanon, he said.

Mr. Eduardo Faleiro (Cong-I) said it was a pity that the Israelis, who were once victims of Nazi outrages, were themselves "out-Hitlering Hitler" by committing genocide against the Palestinian people.

The Palestinians were forced to wage the present war practically unaided since the Arabs were disunited. The super-powers on the other hand were making use of this war for testing their weapons. It was left to India to raise the voice of moral conscience against the Israeli aggression.

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VOLUME OF TRADE WITH ASEAN IS ABYSMALLY LOW

Kuala Lumpur BUSINESS TIMES in English 21 Jul 82 p 19

[Article by Prakash Chandra in New Delhi]

[Excerpts]

INDIA is trying to devise a way to boost trade with the Association of Southeast Asian Nations.

A senior official told *Depthnews*: "We are somewhat disappointed with the pace of our trade and economic relations with the five Asean countries — Malaysia, Indonesia, Philippines, Singapore and Thailand.

"Perhaps, we have made mistakes in not pushing the private sector to take a closer look at the prospects of our exports to Asean."

The result, this official pointed out, is that India had less than 3 per cent of the total Asean trade with foreign countries.

Superior

The only seemingly cheerful aspect is that India has the largest number of joint ventures in Asean countries which now total 80. In African countries, joint ventures numbered only 4, in the Arab world, 30, South Asia, 20, Europe, 19, and the US, 12.

The largest number of joint projects is in Malaysia. Senior analysts in Delhi said joint ventures are promising in Malaysia and Indonesia. The areas most favoured were steel, furniture, cotton textiles, glass bottles, precision tools, electric fans, cosmetics, compressors, car parts and other light machinery units.

In Thailand and the Philippines, the favoured areas are steel, synthetic fibres and diesel engines.

However, analysts believe that the main reason why India is lagging behind in the highly profitable Asean region is the big Japanese presence. "The Japanese are coming in a big way in Southeast Asia. They are emerging with billions of dollars worth of aid and large private investments. The Japanese technology is certainly superior to anything we have got. Can we really compete with Japan?" a senior economist here asked.

During a recent tour of four Asean capitals — Kuala Lumpur, Singapore, Bangkok and Manila — this reporter found widespread ignorance about India's technical progress. Hardly any Indian consumer goods were available in the shopping centres.

An Indian industries delegation which visited Asean countries early in 1981, noted in its report that "there is a keen desire in all the five countries seeking India's association in their industrial development as India's technology is more suitable to the region."

Another business delegation, which visited Asean countries on behalf of the Delhi Chambers of Commerce, agreed with this view. They felt that there was a vast scope for establishing joint ventures to manufacture agriculture instruments, tractors, light and heavy engineering tools.

One of the major aspects in Asean trade is the promoters' growing dependence on the developed countries for their economic growth. An analysis showed that the Philippines exported 82 per cent of its products to the US and other developed countries last year. It was 76.3 per cent for Indonesia, 63.3 per cent for Malaysia, 61.1 per cent for Thailand and 45.3 per cent for Singapore.

As for India, despite some growth in the trade volume, it is largely disappointing. According to trade sources here, India had a favourable trade balance with Malaysia until 1977. Then came huge imports of palm oil from Malaysia.

Disappointing

Thus, imports from Malaysia have reached a record figure of US$351 million in 1980. In 1976, Malaysian exports barely amounted to US$27 million. India's exports consist largely of transport equipment, light machinery and animal feed.

An analysis made by the *Economic Times* of New Delhi shows that India's trade with the Philippines is almost insignificant. It barely amounted to US$21 million in 1977. In 1980, it went down to US$18 million.

India has been selling to the Philippines medical equipment, drugs and medicines, animal feed, iron and steel materials, chemical products, vegetables and non-ferrous metals.

But a more disappointing trend is seen in Thailand. Despite their close proximity and economic, cultural and trade ties over decades, trade between the two countries is at a standstill. In 1980 Indian exports to Thailand amounted to US$40 million and imports stood at US$30 million.

The *Economic Times* sadly commented: "It looks rather unfortunate to observe that though a number of structural changes have occurred in both Indian and Asean economies for the last two decades, yet the aggregate trade volume between them is abysmally low.

"Not only that. Trade compositions reveal that primary and semi-finished commodities have continued to be the chief items in both imports and exports despite rapid strides taken both by Indian and Asean countries towards industrialisation." — Depthnews Asia

CSO: 4220/642

IRRITANTS IN INDO-U.S. ECONOMIC RELATIONS DISCUSSED

New Delhi PATRIOT in English 26 Jul 82 p 2

[Article by S. S. Chakravarty]

[Text]

THE United States' stiff resistance to IDA loan to India, opposition to India's application for loan from the World Bank for an oil exploration and drilling project in the Krishna-Godavari basin and the adoption of a new lending policy of charging variable interest rates by the World Bank are some of the new irritants which have further complicated India's endeavour for better mutual understanding with Washington.

If one takes the instance of US stand on IDA loan to India, it would be seen that it is in no way different from the past US policy of subjecting India to arbitrary harassment for not falling in line with Washington's world perceptions and narrow strategic considerations. It is not necessary here to go into detail how the US had unleashed a propaganda campaign to humiliate and pressurise India before the IMF finally granted 5.33 billion dollar loan. In the recent case too, the US had adopted a nakedly hostile posture causing a severe strain on the Indian economy. Even when the IMF's Executive Board of Directors approved India's request for a loan of 1,800 SDR on 19 July, the US representative recorded opposition on the ground that "we are not convinced that India's balance of payments problem requires drawing on IMF resources to the extent envisaged."

The US stand with regard to India's application for an IBRD loan of 150-200 million dollars for financing the oil exploration and drilling project is also reminiscent of the recent controversy over the Thal-Vaishet fertiliser complex. While in the case of Krishna-Godavari basin project, the US is unashamedly pleading for awarding the contract to multinational cartels, the Thal-Vaishet complex had to be finally abandoned due to US-World Bank insistence on a particular concern to undertake the project. Little did the US ponder over the fact that its tactic smacked of blatant interference in the sovereign rights of an independent country.

Similar is the objective of the new lending policy of the World Bank. As per the new policy, interest rates on new loans will be revised every six months in order to bring these in line with the prevailing market rates. Earlier, the interest rates on long-term loans were fixed at the time of commitment. There is no doubt that India would suffer a great deal due to this switchover to variable rates of interest. As the chances of decline in the interest rates in the world markets are negligible, India would surely have to pay more towards repayment of future loans. India's hope for project loans which include a fixed amount for loan repayments would also be dashed. The increasing bur-

den of interests and repayment may on the other hand compel India to abandon some of the vitally important World Bank-assisted projects.

It may be recalled here that recently Reserve Bank Governor I G Patel accused major American banks of playing politics to "ride on the back of international financial institutions". International banks are like multinational companies "dictating terms to the developing countries", he said. Citing the example of IMF loan to India, Mr Patel stated that large US banks "instigated a campaign against India so that the Government would have to depend on them".

If the obstructionist postures of the US and World Bank are creating enormous difficulties for India in financing developmental projects, trade protectionism in violation of international norms and discrimination pursued by the successive US administrations is causing considerable damage to India's export promotion efforts. Union Ministers and officials have been constrained to note that in recent periods, the US has not even been caring to observe international norms. The imposition of rigid restrictions on import of Indian textiles is a case in point. The curbs on certain Indian textile items and handloom fabrics are in clear violation of the Multi-Fibre Arrangement concluded in December 1981. The extent of damage that these latest curbs would cause to India can be gauged by the fact that handloom fabrics account for nearly 30 per cent of India's textile exports to the US.

Far more severe has been the impact of imposition of limitation on certain export items from India under the Generalised System of Preference (GSP). These include calf and kid lining leathers, buffalo leather, handloom fabrics, coir floor coverings, etc. The USA has also imposed counterveiling duties on import of industrial fasteners, iron metal castings, leather footwear and uppers from India.

According to official sources, imposition of counterveiling duties levied by the United States on these products are not in accordance with the General Agreemnt on Tariff and Trade (GATT) to which both countries are signatories. It has been pointed out that while levying counterveiling duty, the US has not cared to make an 'injury test'. Under the GATT, before levying the counterveiling duty, the US Government was required to prove that the Indian products were causing injury to American domestic industry. It is farcical enough to regard Indian exports as a threat to US industry as the former accounts for not even one per cent of the latter's total annual imports.

Indian engineering exporters have also noted with grave concern the recent US move to curb export of handtools from India. The move has been initiated at a time when the Indian exporters are facing stiff competition from China which has been undercutting prices in order to capture monopoly position in the US market. Indian handtools export to the US has remained stagnant during the last two years mainly due to Chinese competition.

Business circles fear that imposition of new duties on Indian handtools by the US would make it impossible for India to remain in the US market. India's place would then be taken over by China and other American favourites. The move is also ominous from the point of view that it would severely affect India's engineering exports as a whole. India's engineering export to the US registered no increase in 1981-82. According to present estimates, prospects for 1982-83 are equally bleak.

It would follow from the above analysis that one of the clear-cut aims of various arbitrary curbs and restrictions is further straining India's balance-of-payments position and increasing trade deficit vis-a-vis the US. India has already had an adverse trade balance of 22 million dollars with the US in 1979.

The way the new curbs, tariff barriers and custom duties are contributing to not only the further worsening of adverse trade balance position for India but also ruination of indigenous in-

dustry can be seen from one example. In 1980-81, export of metal products from India to the US was to the tune of only Rs 30 million, i.e. one-third of the previous year. As a result, nearly 30 enterprises are now facing closure.

What causes alarm is that these moves aimed at frustrating India's long-term trade promotional measures are not isolated from America's well-thought-out strategy. America's trade representative William Brock said on 19 May that the US will be acting 'from position of strength' in this field. He made it clear that GATT should become an 'instrument' of enforcing 'greater discipline' and better order in line with the interests of American monopolies. These pronouncements leave no room for doubt that India's hope for 'free and fair trade' with the US is misplaced.

CSO: 4220/7678

U.S. ARMS OFFER 'FAR FROM A FRIENDLY GESTURE'

New Delhi PATRIOT in English 26 Jul 82 p 2

[Editorial]

[Text]

ALL those who wish to bend India's nonalignment in favour of the US have been making desperate efforts in both the countries to play up points of agreement and play down the differences. It is in this spirit that the White House issued a directive to the departments concerned with Mrs Indira Gandhi's visit to avoid all issues which act as irritants. Ironically, seniormost Deputy Secretary of State Walter Stoessel himself violated the directive though, of course, unintentionally. The offer to discuss arms sale to India in the context of supply of US arms to Pakistan cannot but be a cause of irritation, coming as it does as a blatant attempt to cheat us. India's complaint has been that the US arms given to Pakistan will be used against us and will harm the interests of the region by stepping up arms race. Mr Stoessel's offer conveys the message that arms will be made available to us so that we may fight well, with the same kind of arms as Pakistan. Thus Mr Stoessel has not only confirmed our fear that the US wants to step up arms race in the region, but that it is also eager to turn us into a client state like Pakistan. It is a strange way of building bridges and improving relations.

The US spokesman in his interview to Indian correspondents left nobody in doubt that the US was firmly committed to its policy of militarisation of Pakistan, and that Washington was not in a position to give any guarantee that the American arms would not be used against India. Mr Stoessel could surely explain the purpose of arms supply to Pakistan and the explanation should satisfy the Indians. He believed that what the US had done for Pakistan was quite reasonable "in the interests of stability in the area". He knew, of course, that we in India did not agree with this; we were afraid that the US-Pak strategic relations would create

new tensions and perhaps armed conflict. Well, if it was so the US was prepared to sell us arms so that we might successfully meet the threat. The attitude actually reminds one of the US policy in relation to Israel on the one hand and the Arab countries on the other. Firstly, Israel was armed to the teeth and made a mortal threat to the Arabs and then the Arab countries were offered arms to meet the Israeli threat. The Arabs know to their cost now that they have been the losers and that only the US and the Zionists have gained. Using arms supply as a weapon the US has turned the Gulf region into an area totally subservient to its own interests. This is actually the result Washington wants to achieve in South Asia.

Mrs Gandhi will have many bilateral and international topics to discuss with President Ronald Reagan and senior officials of the US administration. Let us hope she would make it plain to them that India stands in total disagreement with the US policy of militarisation in the fond belief that all political and economic problems have their military solutions. The US leaders are facing deep economic crisis and they seem to hope that arms production and sale will help them to meet the crisis, at least partially. This is apparently their way of expanding their world market. Such a policy would in the long run only aggravate the crisis. They are using sales of arms also to strengthen their grip over different regions in order to attain political domination. This essentially is the meaning of strategic consensus which they are attempting to build up in different areas of the world. They want India also to become part of the consensus and give up its position of nonalignment. The offer of arms sale is far from being a friendly gesture.

CSO: 4220/7678

DELHI TO 'KEEP WATCH' ON U.S. FINANCING OF PARTIES

Madras THE HINDU in English 23 Jul 82 p 6

[Text]

The Government "will keep a watch" on the implications, if any in India, of the reported U.S. proposal to finance political parties, labour unions and the press to promote global campaign for democracy.

The External Affairs Minister, Mr. P. V. Narasimha Rao, said in the Lok Sabha at question time today that the proposal referred to in press reports appeared to be at the stage of discussion and planning within the U.S. Government.

He told Mr. Satyasadhan Chakraborty, who had described the U.S. proposal as a "blatant interference in the internal affairs of another country", that in India all foreign financial assistance was governed by the Foreign Contributions Regulation Act.

The provisions of the Act were adequate to meet any situation which might arise in the context of the U.S. proposal. "The Government will, however, continue to watch further developments in this regard, particularly for their implications, if any in India".

Dr. Subramanian Swamy asked whether any political party in India had received foreign funds from U.S. or any other country.

Mr. Narasimha Rao: "I can't say anything off hand. But there are none".

Replying to Mr. Maya Thevar, who asked whether the Government permitted religious institutions, communal organisations and "so-called cultural" organisations to receive financial assistance from the U.S., Mr. Narasimha Rao said the question was about the U.S. intention as expressed by the U.S. President in a speech. The Minister then quoted the relevant extracts from the speech.

Mr. Santosh Mohan Dev said foreign money was playing havoc in the north-eastern region and asked what steps were proposed to check it.

The Minister said the provisions of the law were quite effective. Implementation of the provisions would arise if there were any concrete cases.

Replying to the main question, Mr. Narasimha Rao quoted the relevant provisions of the Foreign Contributions Regulation Act. No foreign contribution shall be accepted by (a) candidate for election, (b) correspondent, columnist, cartoonist, editor, owner, printer or publisher of a registered newspaper, (c) Government servant or employee of any corporation, (d) member of any legislature, (e) political party or office-bearer thereof.

It further stated that no organisation of a political nature, not being a political party, shall accept any foreign contribution, except with the prior permission of the Central Government.

CSO: 4220/7673

PAKISTAN REPORTED HOLDING 300 INDIANS IN JAIL

New Delhi PATRIOT in English 23 Jul 82 p 5

[Text]

Over 300 Indian nationals are believed to be detained in various jails in Pakistan, External Affairs Minister P V Narasimha Rao said in the Lok Sabha on Thursday, reports PTI.

They included 40 defence personnel, who had been missing since the Indo-Pak conflict of 1971, Mr Rao told Mr S C Bosh Alluri.

Replying to Mr Naval Kishore Sharma, the Minister said the Government had lodged a strong protest with the Pakistan Government, both in Delhi and Islamabad, on the 'unjustifiable' reports appearing in a section of Pakistani press about the motives of visitors from India and the socio-economic conditions in India.

He said the Pakistani Ambassador had expressed his regret in the Pakistan Times which said "a remark made by the way in his letter about the condition of Muslims in India, however, caused unintended offence in India."

However, the Pakistan press continued to report on the old lines despite several press releases issued by Indian Embassy in Islamabad giving correct picture, he said.

On the question of issuing and endorsing passports to the Baluch Hindus for visiting India, Mr Rao said Pakistan Government had not made any specific proposal to the Indian Government.

He said the Government had requested the Pakistan Government to consult their Hindu population and identify the shrines they would like to visit. "Government shall examine the request sympathetically if the request is received", he said.

The House was informed that out of the reported 40 Indian nationals imprisoned by the Israelis in Sidon, Lebanon, 13 were released immediately.

The Indian Embassy in Lebanon and the Government are in close touch with the International Red Cross Society regarding the safety of Indian nationals there, Mr Narasimha Rao told Dr A U Azmi.

CSO: 4220/7675

REPORTAGE ON PAKISTAN RETURN OF INDIAN PRISONERS

Pakistani Embassy Press Release

Calcutta THE STATESMAN in English 20 Jul 82 p 1

[Text]

NEW DELHI, July 19.—Ten Indian prisoners held in Pakistan will return home tomorrow. According to the Pakistan Embassy here, the prisoners would be handed over to the Indian ConsulGeneral in Karachi, Mr Parthasarthi, who has already made arrangements for their return home.

Curiously, the Indian authorities here appear to have decided in favour of treating the return as a "hush-hush" affair. The Home Ministry, meaning thereby the Intelligence agencies, are expected to take charge of the prisoners on their return. According to official sources, there "may be photographs but no interviews by the Press, please".

The Pakistan Embassy said in a Press release today that the decision to return the prisoners was part of "the continuing efforts to resolve the outstanding humanitarian problems between Pakistan and India".

The Embassy said that another decision made recently by the Government of Pakistan in the interest of alleviating hardship would permit access to Indian consular officials to visit and meet Indian nationals held in Pakistani jails. India was expected to extend reciprocal facilities for Pakistani consular officials in India to visit Pakistani prisoners held in jails in India.

According to a statement by the Home Minister in February, 249 Pakistanis are under detention in India. The Government of Pakistan has requested the Government of India for their names. A reply is awaited.

Prisoners Arrive in Delhi

New Delhi PATRIOT in English 21 Jul 82 pp 1, 7

[Text] **TEN INDIANS, INCLUDING A WOMAN, RETURNED HOME ON TUESDAY NIGHT AFTER EIGHT YEARS IN PAKISTANI JAILS, THEIR BODIES WEAK WITH DEPRIVATION, THEIR MINDS SO SHATTERED THAT MANY OF THEM ARE NOT EVEN AWARE THAT THEY ARE NOW SAFELY BACK IN THEIR OWN COUNTRY.**

The Indian Airlines Boeing flight bringing them from Karachi, touched down at Palam at 8.20 p.m. The 10 were quickly segregated, and after a brief meeting with the press, were sped away in ambulances to Safdarjang and Willingdon hospitals.

They will be given a thorough medical examination and treatment before being sent to their respective native villages.

The ten — three from Rajasthan, three from Kerala, two from UP, one from Gujarat and one from Maharashtra — are likely to be hospitalised for a considerable length of time. Many of them require immediate psychiatric care, apart from treatment for suspected tuberculosis, general debility and

trauma.

INCOHERENT

At their brief airport talk with reporters, the 10 could give little information as to how they had been arrested, where they had been kept and the treatment they had suffered in Pakistani jails.

Many of them, specially the woman identified as Badami of Saow village in Rajasthan's Barmer district, could not even give their names. They kept giggling as they faced questions and cameras, looked apprehensively at the police officers around, and then withdrew into a strange silence.

Dr S N Verma, medical adviser to the Indian Embassy in Pakistan, who accompanied the 10 from Karachi, said the Pakistani authorities had not given him any details of the medical condition of the 10 freed prisoners. No medical records were given to him, nor any advice on whether any of the them needed treatment or medication on board.

Six of the 10 are "incoherent and deficient in memory", Dr Verma said.

"They had been already put abroad the flight at Karachi when I entered the plane", he added. No medication was administered to them during the flight, though a fellow passenger held on to Badami, who sat hunched on her seat all through the two hours flight from Karachi to home.

"She kept screaming and laughing the entire time, air hostess Arundhati Mishra said."

Badami had been given a toffee, which she did not eat. She was still clutching to the toffee, now soggy, when she was helped down the plane, and later when newsmen met her, giggling all the while.

All the ten had been given new clothes before their departure. They were wearing 'pathan suits' or long shirts and trousers-shalwars. Badami was wearing a golden orange printed shalwar-kamiz.

CHARGES UNKNOWN

Officials told newsmen that India was still not informed of the charges under which the 10 had been detained in Pakistan for periods from seven to eight years. The only information the Government had was the list of their names. Detailed enquiries will be made after the freed prisoners are in a condition to talk coherently and without breaking down.

One of the 10 - Mohammed Chembaksheri of Malapuram district, Kerala said that he had written a letter about the imprisonment of some Indians in Sakker jail in Sind. This letter had somehow got through to Amnesty International. "It was only after this that the Pakistani press had taken up the matter", he said.

Government officials said the only information they had about the charges under which the 10 had been detained had been gleaned from the Pakistani press, which had described the charges as "trial without proper documents".

According to the official list, the names of the 10 released prisoners are: Mohammed Chembaksheri (Kerala), Hyder (Kerala), Shiv Ram (Kerala), Harnathe (Rajasthan), Babu Ram (Maharasntra), Mohammed Shafi (Rajasthan), Shankroo (Gujarat) Bheroo (Uttar Pradesh), Rama (UP) and Badami (Rajasthan).

PAK 'OFFER'

ISLAMABAD: An official Pakistani press note announcing the release of the prisoners said that Pakistan government is willing to release and repatriate all the Indian prisoners on completion of their sentences on a cipocal basis adds PTI.

Pakistan, it said, had also started allowing Indian officials to visit their nationals in jails on the assumption that similar facilities would be provided to the Pakstani embassy in India.

Islamabad regarded this as a "humanitarian question" which must not be made the subject of hostile propaganda, the note added.

Pakistani press note also suggested that the 10 prisoners being released were part of a larger group offered for peratriation in July 1977 following agreement between the two countries on exchange of certain categories of convicts and detenus. "However, their status as nationals of India took time for the Indian authorities to investigate and confirm", it claimed explaining the delay in their release.

Confused Woman Prisoner

New Delhi PATRIOT in English 21 Jul 82 pp 1, 7

[Text]

What have they done to Badami to make her lose her mind? How did she get that long surgical scar at the nape of her neck? How was she arrested, and in which Pakistani jail did she spend eight long years?

Badami, perhaps, knows the answers, others may know some day. But first she has to get her mind back.

The official record says her name is Badami and her husband's Pooran, of tehsil Saow, district Barmer, Rajasthan. She makes no response when her husband's name is mentioned to her. 'Who is Pooran?' they ask in Hindi, Urdu, and the dialect of western Rajasthan. 'Are you Badami', they ask her again. 'Do you want water?', a policewoman says in sign language.

Badami shrivels further into the sofa in the VIP lounge at Palam, looks furtively, then apprehensively at the uniformed police officers. She giggles, holding out her hand. In her wet palm is a soggy piece of toffee, which an airhostess gave her during the flight. She giggles, stuffs the corners of her 'chunri' into her mouth. Is she now weeping, or laughing? Only she knows, if at all.

What have they done to Badami? And to Pheeru? And to...

THEY TOOK HER AWAY

Badami, say the more articulate of the ten, is 'mad', and has been for some time. Pheeru volunteers that the woman, her age unknown, was a shepherdess guarding her flocks grazing in the shrubs along the border areas. Pheeru suspects she was 'taken away'. He looks significantly at the reporter. He wants to explain why she went mad. All he can utter is 'they took her away..'

There are no medical records, no medical history, no prescription to tell doctors of the treatment she may have been given in jail hospitals. Or was she ever in a jail hospital? The authorities do not know. Neither does Badami.

She sits in her new, glimmering shalwar-kamiz, trying to swallow the corners of her 'chunri'. Her shorn locks peek out of the corners of the georgette that covers her head. She shrinks as the woman police officer, ACP Yamin Hazarika gives her solace. Yamin tries her best to soothe the nervous woman, caresses her, pats her back.

'Badami? Badami?' Badami suddenly giggles loudly, then lowers her eyes. She is weeping again.

'Do you have any children?' asks a girl reporter, gesticulating in all commonly understood gestures of motherhood and bringing up children. The reporter cradles an imaginary child, and then repeats the question.

No response.

If Badami does have children, she does not seem to remember. Do they? Do they remember the mother lost to them these eight years?

Badami's silence speaks for the ten, and of their experiences out there.

Interviews with Prisoners

New Delhi PATRIOT in English 21 Jul 82 p 8

[Text]

Many Indian prisoners have died in Pakistani Jails in recent years, one of the lucky ones to be freed told newsmen as he arrived in the Capital on Tuesday night.

Mohammed Chembakasheri who was in Sakkar jail in Sind district said the prisoners were subjected to beatings, all sorts of injections, and total apathy when they fell ill.

'Shankat and Sauban both from Rajasthan died in my jail, he said. One of them had started vomiting. No doctor came to see him. The other had a huge abscess on his back. Again no doctor. He died in agony'.

According to Mohammed, the released prisoners are from four jails. They did not know each other till they were released. They had last been kept in the Hydera-

had, Sakkar, Lahore and another jail that he could not name.

Their final transfers were to Karachi after the Pakistani Government announced they would be released. They were in Karachi for 10 days.

"I have studied upto the eight class. I can speak English. I was working as an Ordinary labour. From Kerala, I went to Gujarat as I wanted to go to the Arab countries...

"I was arrested by Pakistani soldiers who said I had crossed their border.' Mohammed does not remember if it was seven or eight years ago.' I was kept in five different jails where I used to be beaten up. I was given many injections.

'My mother is at Kerala. I tried to smuggle out letters to them, but did not ever receive a reply. On 18 January, 1977, I was very sick. I complained that I was not being given any treatment. I complained against the jail doctor Karim Mohammed that he was not giving me medicine. For this, I was beaten up by boots and lathis', says Mohammed.

'This year in January I wrote to the Amnesty International and they published our details. This is how the Pakistani newspapers got the information and published it. That is how I am here'. Till three days ago. I had no inkling that I would ever be released', he adds, 'and then I was told that I was being sent home'.

Speaking of Pakistani jails, Mohammed says he was denied the wages that were due to him for doing labour in prison. "The money was taken away by the jail staff".

Shivram, of Palghat, aged about 27, narrates his story. "I was on way to Dubai with Ashraf, my friend. Both of us were caught, when they discovered that we had no passports, we were taken to the Umarkot thana".

From there the two of them were shunted around to several other jails where they spent a few months each before landing in the Sakker jail. But why did they attempt to reach Dubai via Pakistan "Galti ho gayee" mumbled Shivram said almost apologetically.

Ashraf, his friend was set free four years ago and sent back to India but for Shivram, it was four years more of confinement in the jail. "We were about four or five each in cell and the daily routine, from morning to evening consisted of sweeping, digging and then just sleep".

Shivram made two attempts to communicate with his aged parents in Kerala. The letters were somehow smuggled out but the lid was torn off when he received a letter from his parents. When an official Rahim got to know of it, he beat me severely. After that, I did not even try.

"I do not know much about the others in the jail. But I know that there are many more Indians. Some have been charged with "spyguri". Two of them, Salim and Karimuddin, are facing phansi. I have never even seen them in all these years, they are lodged separately in the condemned cell. But I know of them. Others, I can only imagine".

Neebu of Barmer district in Rajasthan strayed across the border along with his herd of goats eight years ago, when he was caught by the Pakistani officials.

"I usually took my herd towards that side. What happened on that day I don't exactly remember", said Neebu, who sports a bushy mostache, talks coherently and can still smile.

Showing a mishappened anklebone, Neebu said he suffered an injury during construction work which he had to do during his long imprisonment. "The jail-incharge kept the money and made us do the construction work" he charged.

"I had been just married when I was caught, I had no means of information my family of my whereabout. About two and a half years back a coprisoner at Sakkar jail smuggled out a letter through which I could reestablish my links with my family". After that letters came regularly.

He shrugs when asked about the condition inside the jail. "We were countless people in one room. No, I never tried to count. I worked on the weaving-loom weaving rugs from 7 a.m. to 4 p.m. All we got was "dal" and "roti" twice a day".

The bundle, which he was clutching tightly, contained old clothes presented by his "friends in the jail".

Baboo Ram sits next to Neebu, keeps nodding and mumbling something under his breath....pur...pur ...pur. Before one could dismiss him as another lunatic one caught more Nagpur, Sholapur, Jodhpur, That is his story.

Some 10 years ago, he had set out for Nagpur, his home town. He reportedly fainted and detrain-

ed at Jodhpur in Rajasthan instead. From there he got into another train which took him to the frontier. When the armed frontier police asked him if he was a Pakistani the lost Baboo Ram nodded. 'As he crossed the border the rangs police pounced upon him' informs a co-prisoner, who had collected this information during the journey. Till now he mumbles the stations he crossed and tried to figure out why he the co-prisoner sadly.

For some the eight-year ordeal that has left indelible scars began with as simple adventure as chasing the stray goats that had crossed across the Indo-Pak border. Shakroo was one of them. 'Dangar chale gaye', he repeatedly said with a childlike simplicity, breaking into sporadic fits of hysteric giggles or trailing off into a blank silence.

'TIMES OF INDIA' Editorial

Bombay THE TIMES OF INDIA in English 22 Jul 82 p 8

[Editorial]

[Text] It is shocking beyond words that the Pakistan embassy in New Delhi should seek to project the release of ten Indian prisoners held without trial since 1974 as part of "the continuing efforts to restore the outstanding humanitarian problems between Pakistan and India." This is a clumsy effort to divert attention from the real issue which is why were the detenus incarcerated for so long. They were originally imprisoned for three months for not having valid travel documents. But instead of being deported after this, their terms were extended every few months till they had spent eight long years in various Pakistani jails. And they would have spent an even longer period if their plight had not been publicised recently by certain Pakistani papers. This "disclosure" would, of course, not have been possible if General Zia-Ul-Haq had not been trying to project a "constructive" image of himself regarding the improvement of relations with this country. But that cannot explain away the original crime of holding innocent men and women in jail for so long. Islamabad still has a lot to answer for. Six of the ten released have clearly lost their mental balance and are in need of serious psychiatric treatment. Even after landing in New Delhi, they could not register the fact of being finally free. Some of them have lost their eyesight, all have complained of inhuman treatment (in some cases severe beatings) and of being denied the right to contact their relatives at any time during their prolonged imprisonment. It is intolerable, therefore, that Islamabad should try to claim credit for its "humanitarian" gesture. Indeed to

restore some of its lost credibility Islamabad must take strong action against those responsible for the detention of ten Indians without trial.

Things must not rest here. According to government records there are still over 300 Indian nationals imprisoned in Pakistan. It hardly redounds to the credit of the Zia regime that it should have agreed only a month ago to reciprocal consular facilities for prisoners. This measure, which New Delhi has been pressing for, was long overdue. And now that it has been instituted there should be no further obstacles to the free and full flow of information about other imprisoned Indian nationals. This should help to prevent similar miscarriages of justice in the future and to put a stop to the kind of gross abuses inflicted upon these ten people when they were in jail. On its part, New Delhi will be happy to extend full assistance to the Pakistan embassy in contacting and collecting information about the 250-odd Pakistani detenus in this country.

CSO: 4220/7663

ASIAN DEVELOPMENT BANK REPORTED COOL TO LOAN REQUEST

Madras THE HINDU in English 21 Jul 82 p 7

[Text] NEW DELHI, July 20.

Though India has informed the Asian Development Bank (ADB), in advance, of its intention to borrow about $2,000 millions for the five-year period 1983-87, from the ordinary capital resources (OCR) of the bank, ADB has hardly taken any step to facilitate the borrowing by India, according to reports from Manila.

Since India, as a subscriber to the capital stock of the bank, is entitled to borrow from its OCR, ADB will have to accommodate India's request for funds. However, ADB is making no secret of its lack of enthusiasm for the Indian proposal.

When a country intends to borrow from ADB, it is usual for it to depute staff missions to the country well in advance for discussions with its Government and assess the state of the economy. ADB also sets up a division for the country at its headquarters in Manila.

No mission sent: So far, ADB has not sent any mission to India, nor has it set up an India Division. Some efforts are also being made to dissuade India from seeking loans from the bank on the score that it would not bring about any net "additionality" to the development funds it is seeking.

The Asian Bank has sent its observer at the annual meetings of the Aid-India consortium in Paris. The bank has pointed out that though India's request for loans from OCR will be met, borrowing from the Asian Bank was unlikely to make any significant addition to the funds it could borrow from the World Bank group as well as the members of the Aid-India consortium. It has told India that the other donor-countries would effect cuts in the bilateral aid allocations in the event of India getting loans from ADB.

India has also been told that by voluntarily abstaining from borrowing from OCR so far, India had made it possible for ADB to meet the needs of the poorer countries in the region and India's entry as a borrower would impose greater strains on the bank. India has already answered this by pointing out that if ADB enlarges its capital stock, the availability of lendable funds would vastly improve and India's borrowing would not lead to any depletion of resources.

Not a pressing need: ADB also seems to have pointed out that India's needs for development financing from the bank are not so very pressing in view of the fact that India has better access to the international capital markets than other developing countries. It is pointed out that even in 1966 when India had a very difficult balance of payments position, it had desisted from borrowing from ADB. It is, therefore, argued that India's balance of payments were now in much better shape than it was 16 years ago.

The bank has also expressed its difficulties about raising adequate funds from the world's capital markets and its ability to provide the loans predominantly in dollars or sterling as India would prefer. The proposed $2,000 million which India proposes to borrow might be in a mix of currencies and repayment by India would also have to correspond to that mix. The argument, therefore, runs that this might pose some difficulties for India.

India has informed ADB that the loan it is seeking would be for power generation, railways and to meet the refinancing needs of the development banks like the Industrial Development Bank of India, the Industrial Finance Corporation, etc. Though ADB has given loans for railway projects in the other developing countries, it does not seem to be enthusiastic about assisting such projects in India.

CSO: 4220/7668

COORDINATION AMONG LEFTWING PARTIES REPORTED

Madras THE HINDU in English 21 Jul 82 p 9

[Text]

NEW DELHI, July 20.

While the Opposition, as a whole, has no immediate plans to attempt a fresh move for unity, the left parties propose to maintain close contacts among themselves for evolving a common line of action, both inside Parliament and outside.

For purposes of Parliamentary work, the left parties have a coordination committee which finalises the strategy to be followed in the two Houses, identifies issues to be highlighted there and the line to be adopted. These parties — the CPI (M), CPI, Forward Bloc, and Revolutionary Socialist Party — constitute a compact grouping within the overall Opposition framework for floor coordination.

These contacts are proposed to be supplemented by discussions on issues not necessarily meant to be raised in Parliament, on which the left parties have a common approach. Their leaders met last night — it was also attended by a Democratic Socialist Party representative — to plan a powerful peace movement in the country. Those who took part in the discussions were Mr. E. M. S. Namboodiripad, and Mr. Harkishan Singh Surjeet, CPI (M), Mr. Rajeswara Rao and Mr. J. N. Sarkar (CPI), Mr. Chitta Basu (FB), Mr. Tridip Chaudhury, (RSP) and Mr. Raghunatha Reddi, (DSP). They decided on a programme of rallies, anti-war conventions and statements by MPs, legislators and intellectuals. A big demonstration is to be held here on October 4.

Nuclear conflict: Last night's meeting, according to one participant, was a prelude to frequent contacts and coordinated approach on issues on which these parties thought alike.

In a joint statement issued today the leaders of these parties (Mr. H. N. Bahuguna was the signatory on behalf of the DSP) bitterly criticised the "U.S. imperialists and their allies who are trying to plunge the world into a nuclear holocaust" and commended the proposals put forward by the Soviet Union for the immediate halt of the nuclear arms race which could be the basis for nuclear disarmament.

They were happy that India had opposed war moves and raised its voice in support of world peace at many forums. But in view of the serious dangers confronting humanity they felt that much more needed to be done. For this reason they had decided to launch a vigorous campaign for peace.

The U.S. imperialists conceal their designs for global domination under the guise of meeting the threat from the Soviet Union to its security. They urge their allies to extend NATO operations to the Indian ocean and Persian Gulf. They have organised a rapid deployment force to intervene in West Asia and converted Diego Garcia into a naval base. The U.S. has acquired new bases on Pakistan and Sri Lanka and hopes to convert Pakistan into an operation base. It is carrying out the massive arming of the Zia military regime and helping to develop it as a nuclear power. The U.S.-backed Israeli aggression in Lebanon aimed at the destruction of the PLO has exposed their claims that they stand for peace in West Asia and solution of the Palestinian problem," the statement said.

CSO: 4220/7668

UTTAR PRADESH CABINET APPOINTMENTS ANNOUNCED

New Delhi PATRIOT in English 23 Jul 82 pp 1, 7

[Text]

CHIEF Minister Sripati Mishra today announced the portfolios of his Cabinet members and Ministers of State, retaining three important portfolios of Home Power and Law and Justice for himself, besides General Administration.

Two important portfolios of Industry and Irrigation have been allocated to Mr Veer Bahadur Singh who was one of the aspirants of Chief Ministership.

Mrs Swaroop Kumar Bakshi who was the Home Minister in V P Singh Ministry has been given Education and Cultural Affairs. Mr Ram Singh Khanua, who was Minister for Jails in the previous Ministry has been allotted Local Self-Government and Urban Development.

Mr Brahma Dutt has retained his portfolio of Finance along with an additional charge of Planning.

Mr Lok Pati Tripathi, too retained his portfolio of Health. PWD and Parliamentary Affairs has been given to Mr Ammar Rizvi, while Food and Civil Supplies to Mr Vasdeo Singh.

Mr Baijnath Kureel has received his old portfolio of Revenue and Mr Vidya Bhushan has been allotted Excise and Prohibition.

NEW MINISTERS

Two of the three new Ministers have been allotted important portfolios, with Agriculture going to Mr Yashpal Singh and Transport and Hill Development given to Mr Baldeo Singh Arya, Mr Abdul Rehman Ashtar has been given Jail and Muslim Waqfs.

Six o the 12 Ministers of State including the newly appointed Minister of State and UP Youth Congress-I leader Sanjay Singh got independent charge of the department allocated to them. Mr Sanjay Singh has been given Forest and Animal Husbandry.

Mr Chandra Mohan Singh Negi who was defeated in the Garhwal Lok Sabha byelection by Mr H N Bahuguna, lost his portfolio of Hill Development and has been given independent charge of Tourism as a Minister of State.

Mr Gulab Sehra has retained Harijan and Social Welfare while Mr Sunil Shastri has been given an independent charge of Labour. Mr Shivanath Singh Kushwaha has retained his portfolio of Cane Development and Mr Bachcha Pathak has retained cooperation.

Mr Ram Ratan Singh has been allotted Agriculture, while Balram Yadav gets Rural Development and Panchayat Raj.

For the first time in history, the important portfolio of Labour has been given to a junior minister with no trade union experience. In the previous Cabinet INTUC leader Jagdish Dixit, who has now been dropped, held the portfolio.

Minister of State attached to Cabinet Ministers are Gopal Ram Das-Irrigation Ranjit Singh Judeo-Public Works. Hari Singh Balmiki Health. Ram Naresh Shukla-Revenue and Law (CM). Mohammad Amin Ansari-Industries.

Replying to newsmen's questions the Chief Minister said the question of 'regrouping' of portfolios was still engaging his attention and it would take some time to be implemented. "I will do that after the monsoon session of the Vidhan Sabha" he added.

Later, the Chief Minister presided over the first meeting of his Cabinet, which discussed the problem of drought in the State.

CSO: 4220/7675

'INORDINATE' DELAY IN FILLING RAJYA SABHA SEATS NOTED

Madras THE HINDU in English 21 Jul 82 p 1

[Article by G. K. Reddy]

[Text]

The inordinate delay in filling the four vacant seats of nominated members in the Rajya Sabha, which has been a subject of adverse comment from both the Congress (I) and Opposition members of Parliament, came in for critical reference in the House today when the BJP leader, Mr. L. K. Advani, made a special mention of it.

There are 12 nominated members in the Rajya Sabha and four of them retire by turn at the time of each biennial election after completing their six-year tenure.

It has been a well-established practice all these years to announce the names of the new nominated members at the beginning of the first session after the biennial election, so that they could take the oath along with the newly-elected members of the House. But this time for some inexplicable reason the Government has not bothered to fill the four vacancies with new nominations, although four months have passed since the last biennial election.

The inference that is being drawn by the Opposition members from this inordinate delay, which may or may not be true, is that perhaps the Government has in mind some names that might not meet with the ready approval of the out-going President.

It remains to be seen whether these four vacancies will be filled before the conclusion of the current session of Parliament or held over till the next session to avoid the impression that the Government was only waiting for the assumption of office by the President-elect.

The Constitution clearly stipulates that those nominated to the Rajya Sabha shall consist of persons having "special knowledge or practical experience" in respect of such matters as literature, science, art and social service. But successive Governments have departed from this principle over the years to include not merely avowed supporters of the party in power, but in some cases even active politicians.

CSO: 4220/7668

CITU CALLS FOR TRADE UNION SOLIDARITY

New Delhi PATRIOT in English 24 Jul 82 p 5

[Text] BANGALORE, July 23 (UNI).

Centre of Indian Trade Unions (CITU) president B T Ranadive today called upon trade unions in the country to unite and form a confederation of central trade union organisations and federations.

In his presidential address at the CITU working committee meeting here, Mr Ranadive said the confederation should be a forum of continuous discussion of problems facing the trade union movement. Only through constant discussions and mass action could the desired unity be achieved, he added.

He said the country was passing through economic recession and to get out of the situation the Union Government was borrowing loans from western countries and the International Monetary Fund. As a result, the country had to accept imports from recession-hit countries and invite their capital with a promise of high returns of profit. Besides the Government was being forced to place cheap Indian labour at the disposal of foreign capital and multinationals.

Mr Ranadive hoped that the trade unions would realise the common danger and respond urgently to the unity call of CITU.

He said it was high time that the trade union leaders devoted themselves to organising the working class women, who have hitherto been neglected. In this context, he alleged that some Christian missions, financed by some foreign countries, were trying to organise the women working force against the working class itself. This attempt should be nipped at the bud itself, he added. He urged the trade union to give prominence to the problems of the women working force.

Mr Ranadive described the directions issued by the Bureau of Public Enterprises to public sector managements on wage agreement particularly and the proposal to link wage increase to productivity as a virtual 'lathi-charge' on the working class'.

CSO: 4220/7676

REPORT ON CITU WORKING COMMITTEE RESOLUTION

New Delhi PATRIOT in English 26 Jul 82 p 8

[Text] BANGALORE, Jul 25 (UNI)--The working committee of the Centre of Indian Trade Unions (CITU) today accused the Central Government of unleashing repression against the working class as 'part of its economic policy' under conditions imposed by the International Monetary Fund and the World Bank.

In a resolution adopted at the end of the three-day meeting here, it alleged that the ruling party had made CITU unions and activists its 'particular target' and said the 'barbarous repression let loose on CITU activists during the Assam tea garden workers' struggle for bonus 'beggars all description'. It criticised the Uttar Pradesh Labour Minister's refusal to start negotiations with the CITU unless it shunned the theory of class struggle and accept class collaboration.

The resolution released to the press by CITU vice president Samar Mukherjee said the Centre had introduced several 'anti-labour black bills' at the instance of the IMF to throttle the trade union movement. The Government was thus involved in a 'vain-bid' to resolve the 'deep economic crisis' and had surrendered completely to the IMF, it alleged.

The committee expressed grave concern at the growing incidence of sickness in industry. It pointed out that diversion of funds, in-fighting with managements, corruption, years of neglect and ruthless exploitation of labour and machineries coupled with management deficiencies had brought about this state of affairs.

The origin of this situation lay in the Government's policy of appeasing the monopoly houses and the multinationals for their resource mobilisation in order to bolster capitalism, it said.

Referring to the lockout in the 16 jute mills in West Bengal 'on the bogey of crisis in the industry', the committee said the jute barons had not even utilised the Rs 200 crores given by the RBI for the purchase of raw jute.

As a result, jute growers had been forced to sell the product at prices even below the cost of production.

The committee called for lifting of the lockout in the mills unconditionally. Production cut should be stopped and full wages should be paid to the workers.

It sought an immediate announcement on a minimum support price of Rs 300 per quintal of raw jute and of monopoly procurement direct from growers. It welcomed the decision of the trade unions to go on a one-day strike on 10 August to highlight the demands of the workers.

The committee condemned the Maharashtra Government for "adamantly opposing" any negotiations with the leaders of the striking workers of the textile mills. It was this policy which was responsible for the unprecedented prolongation of the strike.

It said in its 'monstrous bid to suppress' the strike, the Government had allowed loss of hundreds of crores worth production in a year. It called upon the Government to settle the strike speedily.

CSO: 4220/7678

U.S. REPORTED PLANNING TO PHASE OUT PL 480 RUPEE FUNDS

Madras THE HINDU in English 23 Jul 82 p 9

[Article by R. Chakrapani]

[Text] WASHINGTON, July 22.

The State Department is working on a programme to phase out PL 480 rupee resources at U.S. credit in India over the next four years.

The U.S. has large accounts in local currencies in several countries including India, Pakistan, Burma, Guinea and Egypt. They were accumulated through the sale of foodgrains under the PL 480 programme or through the "Food for Peace" projects. The U.S. categorises these countries as "surplus currency" countries, and, India, because of the huge PL 480 transactions during the 1960s, tops the list of these countries.

If a programme for the currency phase-out, prepared by the Administration earlier this year, is carried out, it is stated, India stands a good chance of being altogether deleted from the list in four years.

The U.S., it is stated, would like to spend local currencies on mutually beneficial projects. An inter-agency group consisting of representatives of U.S. agencies and departments is likely to be set up to coordinate utilisation of local currency reserves without squandering them on worthless pursuits.

In the past, the U.S. had utilised local currencies on all types of projects. There have also been allegations of spending such money on local political groups which support U.S. policies.

The U.S. has a total accumulation of $ 800 millions in local currencies abroad: India ($ 598 millions), Pakistan ($ 196 millions), Burma ($ 13 millions) and Guinea ($ 13 millions). It has also an unspecified amount in Egypt.

Translation project: According to reliable accounts, the U.S. Agriculture Department spent some $ 22,000 from the rupee funds in India on the translation of a soil-science dictionary from French into English and about half that amount on producing a book in India on the fauna of the USSR. The translation project involved a period of eight years and it is not known why India was chosen for this purpose.

In India, the rupee resources have also been utilised to hold annual conferences of U.S. attaches abroad at New Delhi. Some of the PL 480 funds was also spent on a study commissioned by the Smithsonian Institution on dental formation of Indian children. The institution gave a grant of $ 70,000 to an American anthropologist to conduct a study on why rural children in India have straighter teeth than those in urban areas. The study is being acclaimed as having proved useful.

The Smithsonian Institution noted that the "examination of transitional populations of Punjabi youths for dental malocclusion is contributing to the understanding of the dental problem, which, like many chronic ailments, increases dramatically with modern development".

CSO: 4220/7673

MILITARY SPENDING COMPARED TO THAT OF OTHER NATIONS

New Delhi PATRIOT in English 24 Jul 82 p 2

[Article by P. K. S. Namboodiri]

[Text]

THE world military spending in 1980 was in excess of 500 billion dollars, according to the Stockholm International Peace Research Institute (SIPRI). Over many years global defence expenditure has been increasing at a rate of about two per cent a year in real terms.

The 1980 distribution of global defence expenditure, in terms of percentages, was:

NATO	43
of which USA—24	
Warsaw Pact Countries	26
of which USSR—24	
Other Developed Countries	6
China	9
Third World	16

Over three-fourths of world defence spending is in the developed countries. The developing countries' share (excluding China) was 100 billion dollars, while that of the developed countries was 375 billion dollars. Nearly half of the developing countries' defence spending was in West Asia alone.

India's revised estimate for 1980-81 was Rs 3,800 crore, which works out to nearly 4.7 billion dollars. This amount constitutes less than one per cent of the world total defence spending and less than six per cent of the Third World total.

India's defence spending as percentage of GNP varied from 1.2 to 3.8 during the last decade. The 1981-82 budget estimate was Rs 4,200 crore. Actual spending may be in the region of Rs 4,500-4,750 crore. As percentage of GNP this order of magnitude might represent nearly four per cent.

Out of 119 countries studied by SIPRI, 34 countries spend four per cent or more of their GNP on defence. Besides the United States, the Soviet Union, China and Britain, they included Israel, Pakistan, Burma, Malaysia, Cuba, Indonesia, Turkey, and ten other countries of the Gulf and West Asian region.

Of the 34 countries, 17 are in India's vicinity, including two adversaries bordering India.

Consequent on the breaking out of the new Cold War in 1978, the defence expenditure of the United States started rising at a rapid pace. The West European allies of the US are currently being urged to step up their spending above the three per cent real increase already agreed by all the NATO countries, though none of them is wholeheartedly willing to implement that decision during the current recessionary phase. However, this has not in any way affected either a policy consensus among NATO countries towards the Indian Ocean region or increased flow of arms and equipment into West Asia and South-East Asia.

The United States has just put forward for Congressional approval the biggest ever military budget. It is also stepping up arms sales and arms procurement while social welfare programmes are being severely slashed. The new commitment of

the US Congress for an arms package to Pakistan under the provisions of 1959 US-Pakistan agreement, which is linked with the Baghdad Pact and the first Cold War, seeks to induct Pakistan into what is called the "strategic consensus" of the West to confront the Soviet Union and has, therefore, to be viewed in the overall global trend of rising conflict and tension of the new Cold War.

According to Dr Kissinger's own account and the document released by Jack Anderson, the US Administration did encourage actively some of its Arab friends, Jordan and Libya at that time, to transfer their combat aircraft to Pakistan in 1971. There is evidence that even during the nominal US embargo on arms to Pakistan, the United States did transfer arms to that country through Saudi Arabia. While the State Department took the line of denial, the CIA induced the Saudis to transfer equipment.

Further, the US House of Representatives Committee on Foreign Affairs, in a report released on 20 November, 1981, has confirmed that Pakistan's defence expenditure is "heavily subsidized by outside donors."

The US decision to sell to Pakistan arms worth 3.2 billion dollars and Washington's move to waive the Symington Amendment (which prohibits the US from assisting countries which have known nuclear weapon plans) have to be viewed against this background. The Pakistani leadership has repeatedly denied that it would grant bases to the United States or compromise on its non-alignment. Whatever the Pakistani leaders may say, in the United States Congress and in the Press Pakistan is treated as part of the US "strategic consensus." In the light of the reiteration of the "Mutual Security Agreement" between the United States and Pakistan (signed at Ankara on 5 March, 1959), which was an offshoot of the Baghdad Pact, Islamabad's protestations about nonalignment cannot but be viewed with reservations.

Augmentation of Pak defence efforts was under discussion even before the Soviets moved into Afghanistan. The US interest in revamping Pakistan's military machine was evident during the visit of Ms Lucy Bensen in 1978 when Pakistan had already prepared a major arms procurement list.

There were also strenuous efforts on the part of Pakistan in the period 1972-78 to augment its armed forces, and their strength was expanded by 70 per cent. The armour strength was more than doubled. A number of modernisation programmes were also initiated. Daphne and Agosta class submarines were acquired. Atlantique maritime reconnaissance aircraft were procured. Exocet missiles, Seaking helicopters, more Mirages, Puma attack helicopters, Tow anti-tank missiles, Crotale surface-to-air missiles, two modernised Gearing class destroyers, etc., were all inducted during this period into the Pakistani defence forces. Gen Zia-ul-Haq has recently told the Pakistani Air Force that his efforts were directed towards obtaining "weapons of matching qualitative edge."

The late Mr Z A Bhutto has revealed in his book that he acquired a billion dollars worth of arms from Western Europe with Arab money and another billion dollars worth of arms from China, and invested a billion and a half dollars on the Pakistani defence production.

Modernisation of national defence is one of the four modernisations which have become the basic goals of post-Mao China. The present Chinese leadership is changing radically the earlier concept of 'people's war' of Mao Dzedong which laid emphasis on drowning the invaders among the mass of people. The Chinese are currently re-equipping their armed forces with modern equipment, a process advocated by Marshal Peng Dehuai in 1959. He incurred the wrath of Mao and was dismissed; the present leadership has revived the ideas of Marshal Peng and are going in for military modernisation. Marshal Peng has been rehabilitated.

There have been discussions between the United States and China on the transfer of military technology. A former Defence Secretary and an Assistant Secretary in charge of research and development visited China

in 1980. While there are two views on the transfer of military technology to China, one cannot rule out the possibility of the present US administration transferring military technology to China.

China has two "Han"-class nuclear-propelled submarines and it has tested submarine-launched missiles. When the Chinese develop their second-strike capability vis-a-vis the Soviet Union, the Indian Ocean will be the most likely area of its deployment. In that event, China might seek port facilities in the littoral areas.

The Indian defence modernisation efforts was a delayed response to the expansion and modernisation of Pakistan's armed forces during 1972-78, the announced attempt at military modernisation in China, the rapid inflow of US equipment into West Asia, and the increased naval deployments, development of base facilities and storage of war material in the Indian Ocean by the United States.

The recently enacted US legislation to arm Pakistan has created a long-term US Congressional commitment to Pakistan's militarisation. It has, therefore, become necessary for India to gear up its own defence preparedness.

For a long time since 1963, when it reached a peak, the Indian defence budget remained within three to 3.5 per cent of GNP. The current modernisation effort would appear to need its being raised upwards marginally—it may still be around four per cent. The situation today is not unlike the situation faced by India in 1963-64 when it had to gear itself up in terms of defence build-up and then the defence spending touched a peak. As mentioned earlier, in spite of that we shall be within the group of 34 countries in the world which are in the same range of defence spending.

In terms of per capita income, India ranked 128th of the 140 countries studied in 1977. (Ruth Leger Sivard, World Military and Social Expenditures 1980) But in economic and social standing India was 114th. In the case of Pakistan, its per capita GNP ranking was 120 while its economic-social ranking was 119.

In spite of the additional requirement of defence efforts in India, this has not been at the expense of the development plans. By all developmental indices, India has done far better than Pakistan. In fact, in terms of utilisation of available resources, India's developmental efforts rank higher in its priorities than most other developing countries.

CSO: 4220/7676

RISE IN SUGAR PRODUCTION REPORTED FOR CURRENT YEAR

New Delhi PATRIOT in English 21 Jul 82 p 7

[Text]

Sugar output during the first three quarters of the sugar year 1981-82 (October-September) was up by 32.31 lakh tonnes compared to the corresponding nine months of the previous sugar year, reports PTI.

According to figures released by the Indian Sugar Mills Association (ISMA), the total sugar output during the first nine months of the season 1981-82 amounted to 82.75 lakh tonnes as against 50.44 lakh tonnes during the corresponding period last season.

Total offtake in the first nine months in 1981-82 was 37.43 lakh tonnes for internal consumption and 2.15 lakh tonnes for exports as against 34.91 lakh tonnes for internal consumption and 60,000 tonnes for exports during the corresponding period last season.

Total closing stock of sugar with the factories as on end-June this year amounted to 30.96 lakh tonnes as against 20.90 lakh tonnes on the same date last year. Total sugar output in the month of June this year was 3.23 lakh tonnes against a mere 7,000 tonnes during the same month last season.

CSO: 4220/7664

PRIVATE SECTOR SAYS FUNDS NEEDED FOR MODERNIZATION

Calcutta THE STATESMAN in English 20 Jul 82 p 9

[Text]

NEW DELHI, July 19.—Funds needed to modernize the major sectors of Indian industry—textiles, cement, sugar, jute and engineering—are estimated at a massive Rs 2,900 crores, by the private sector, which says that these must be raised to make them suitable for competitive world markets.

The costs are expected to increase every year and hence the industry circles created pressure on the Government to find ways to make funds available through incentives and soft loans, since it is unlikely that the current credit restrictions will be eased.

The Government has been told by representatives of the private sector, like the Federation of Indian Chambers of Commerce and Industry, that so far it has not been possible to raise the required funds because of the low depreciation allowance and because the present softloan scheme covers only 11% of the modernization requirements.

Demands have, therefore, been made that the financial institutions should create a fund by issue of special modernisation scrip for subscription by the banking system, while the investment allowance should be increased from existing 25% to 45% in respect of modernization.

It has also been suggested that, to enable industries in future to keep up to date technologically, an industrial unit should be allowed to set aside a percentage of profits before depreciation, for modernization reserves.

Another recommendation is that an excise rebate on production up to 20% of the capital outlay on acquisition of machinery for modernisation, as was recommended by the Manubhai Shah Committee for cotton textiles, should be considered.

The private sector continues to maintain that restrictions on money supply in the economy, particularly because of the limits on credit, were coming in the way of supporting demand for industrial goods and that a recession could be creeping in.

The private industry is also worried by the extent of "sickness" in industry, estimated in respect of the jute, textiles, engineering and rubber units, to be of the order of Rs 1,175 crores and rising to around Rs 2,400 crores for the entire country in large, medium and small units.

The problem of sickness, it is felt, can be tackled through mergers, leasing the licensing of units, running the sick units on management contracts and similar measures.

CSO: 4220/7664

BRIEFS

HUMAN RIGHTS DELEGATION--NEW DELHI, July 19--The Prime MInister, Mrs. Indira Gandhi, said today that India would fully support all efforts to investigate violation of human rights in southern Africa. She was talking to a six-member team representing the ad hoc working group of experts of the U.N. human rights commission visiting here. The team lead by A. A. Cato of Ghana is on a week-long visit to interview African nationals in India on illtreatment of those in police custory in South Africa. Mrs. Gandhi emphasised the fact that India had no contacts with South Africa pointing out that the apartheid regime tried to "sow confusion" in people's minds by spreading lies about India. She gave the example of a recent story in South African newspapers that Indian artistes would be visiting that country. No Indian artistes were to visit South Africa. Mr. Cato described the situation in South Africa referring to the frequent incidents of kidnapping of nationalists. Since the working group was not allowed to go to South Africa, it was investigating the cases of illtreatment of nationalists through sources outside that country. Mr. Cato also recalled the contribution of Mahatma Gandhi to the liberation of Africa. [Text] [Bombay THE TIMES OF INDIA in English 20 Jul 82 p 5]

EXPORTS TO UK--India's exports to the United Kingdom declined from Rs 538 crore in 1978 to Rs 428 crore in 1981, but its imports from the UK increased during the period, the Rajya Sabha was informed on Tuesday. Deputy Minister of Commerce P A Sangma told Mr Surag Prasad in a written reply that India's imports rose because of growing requirements of India's industrial and infrastructural development. Reasons for the slow down in India's exports to the UK were domestic constraints like ban on certain important items like silver, sugar, etc., fall in unit value realisation of certain important items like tea, coffee, tobacco, leather, etc., and the growth of protectionist tendencies in the UK. [Text] [New Delhi PATRIOT in English 21 Jul 82 p 7]

DEFENSE EQUIPMENT--The government has decided to associate the state-sector corporations and 100 per cent Indian-owned private-sector industries to develop and produce electronic equipment, systems and subsystems for defence forces, the deputy minister, Mr. K. P. Singh Deo, told the house. He said the department of defence supplies would place the first order for production on the private-sector firms which had successfully carried out their design and development of a product on behalf of the defence research and development organisation (DRDO). [Bombay THE TIMES OF INDIA in English 21 Jul 82 p 15]

INFLUX OF FOREIGNERS--SHILLONG, July 21--The unabated influx of foreign nationals into Meghalaya from across the international boundary has been causing concern to both the people and the Government of Meghalaya, Mr D. D. Lapang, Health Minister, said here today. He reminded the people of their responsibility to be alert and vigilant and help the authorities in detecting such "unauthorized" people who would otherwise upset the economy of the tribals. He said that such people should not be given shelter in Meghalaya. "The influx of foreigners will take away the rights of lawful citizens of the State as well as the country. Therefore, it is necessary for the tribals and non-tribals to be vigilant and loyal to their own country, iresspective of their original State" Mr.Lapang said. He stressed the need for cooperation with the Government. "Meghalaya has been regarded as one of the most peaceful States in the whole north-eastern region. This good reputation is due to the fact that the Meghalayans are peace-loving". Mr Lapang said that one of the Government's policies was to bring the administration closer to the people in return, the people should come closer to the Government by helping in all of its activities. [Calcutta THE STATESMAN in English 22 Jul 82 p 9]

NO-CONFIDENCE PLANS--New Delhi, July 21--Major Opposition parties have tentatively planned to sponsor a no-confidence motion against the Government in the current session of Parliament. This became known after a business lunch of Oposition leaders on Wednesday, hosted by Mr. H. N. Bahuguna, DSP president. The date on which the notice is to be given, will be decided at their next meeting. Their idea was to have, as in the past, only a one-line motion, expressing want of confidence in the Government, leaving the different parties free to adduce their reasons. Those who took part in today's discussions were Mr. A. B. Vajpayee, BJP, Mr. Madhu Dandavate and Mr. Ravindra Varma, Janata, Mr. Samar Mukherjee, CPI (M), Mr. Indrajit Gupta, CPI, and Mr. Ram Vilas Paswan, Lok Dal. These parties had been coordinating their strategy in the two Houses to make thebest use of the forum of Parliament. The no-confidence move, it was felt, would keep up the tempo of unity, generated by their coordination during the Presidential election. [Madras THE HINDU in English 22 Jul 82 p 1]

INDUSTRIAL OUTPUT UP--NEW DELHI, July 21--The monthly index of industrial production for April, 1982 stood at 167.5. It was higher than the index of April, 1981 by 7.0 per cent. The growth rate during the first four months of 1982 over the same period of 1981 showed a rise of 5.8 per cent. Compared to the last month the decrease of 9.1 per cent in index is accounted mainly by the decrease in production of mining and quarrying, electrical machinery, apparatus, appliances and supplies, transport equipment and chemicals and chemical products against the increase in production of beverage industries and metal products except machinery and transport equipment. Madras THE HINDU in English 22 Jul 82 p 13]

ISRAEL'S INDIAN PRISONERS--NEW DELHI, Jul 22--The Lok Sabha was informed today that out of the reported 40 Indian nationals imprisoned by the Israelis in Sidon, Lebanon, 13 were released immediately. The Indian Embassy in Lebanon and the Government are in close touch with the International Red Cross Society regarding the safety of Indian nationals there, ... V. Narasimha Rao, External Affairs Minister, told Dr. A. U. Azmi. [Madras THE HINDU in English 23 Jul 82 p 6]

SINGH PARLIAMENT RESIGNATION--NEW DELHI, Jul 22--The President-elect, Mr. Zail Singh, has resigned his Lok Sabha membership. Announcing this in the House, the Speaker, Mr. Balram Jakhar said he had accepted the resignation with effect from this afternoon.[Madras THE HINDU in English 23 Jul 82 p 6]

CSO: 4220/7674

MEASURES AGAINST EAST TIMOR OCCUPATION

Maputo NOTICIAS in Portuguese 14 Jul 82 p 1

[Text] The foreign affairs ministers of Angola, Cape Verde, Guinea-Bissau, Mozambique, Sao Tom e Principe and East Timor will meet on 19 and 20 July in the city of Praia, we learned from a Mozambican high official yesterday in Maputo. The East Timor problem is the only item on the agenda.

According to the same source, the ministers will assess the political and diplomatic status of the East Timor problem. They will also propose measures to be taken in cooperation with other countries to protect the legitimate rights of the people of East Timor.

"It is possible, although not certain, that the foreign affairs ministers will propose a summit meeting of chiefs of state regarding this matter," the official added.

"For now," he continued, "the ministers will study the necessary measures to enable the people of East Timor to recover their legitimate rights to self-determination and independence, in accordance with the pertinent resolutions of the UN Security Council and the General Assembly, in the face of the ever increasing aggression of the imperialists, aimed at stifling the rights of peoples."

Also in Maputo, we learned from diplomatic sources that former Portuguese Prime Minister Maria Pintassilgo has been named as a close-hand observer of the East Timor process.

These sources assured that a delegation from the Assembly of the Republic of Portugal will leave soon for Washington to present the East Timor cause to the U.S. Congress.

During a recent visit to Maputo as a member of the delegation of Prime Minister Pinto Balsemao, Portuguese Foreign Affairs Minister Futcher Pereira met with the FRETILIN mission in Mozambique.

Our reporters learned in the course of the visit that President Ramalho Eanes had already given the Portuguese foreign minister some proposals regarding the East Timor issue. The matter will be examined at the government level as soon as Futcher Pereira returns to Portugal.

6362
CSO: 4742/351

IMPRESSIVE PROGRESS IN EAST TIMOR SINCE TAKEOVER

Kuala Lumpur BUSINESS TIMES in English 20 Jul 82 p 19

[Article by Kenneth L. Whiting in Dili]

[Excerpts] AS Indonesia marked the sixth anniversary of its takeover of East Timor last Saturday, officials are confident that the former Portuguese territory is making progress under its new flag.

The statistics are impressive: 412 new primary schools with 1,226 rooms, compared with 77 elementary schools with 230 rooms left by Lisbon. Indonesia plans to build 50 junior high schools and one high school this year. There were no high schools under the Portuguese and illiteracy was 90 per cent.

The Indonesian language is used in these new schools and in compulsory adult education classes. It should become the standard in a few years, enabling more East Timorese to communicate with each other than ever before. More than 30 dialects are now spoken, with Tetum the most common, although in some villages neighbours cannot understand each other.

All 13 district towns in the 19,188 sq km (7,380 sq mile) province are being electrified. Only Dili, Baucau and Lospalos had electricity in colonial times.

More than 200 km (124 miles) of paved roads have been added to the 20 km (12 miles) since Jakarta took over.

Sun glints off the metal roofs of thousands of new houses, clinics, schools and other structures. The 1982-83 provincial budget is 52 billion rupiahs (US$83 million), more than half the total invested by Jakarta in the previous five years.

A domestic satellite station has been built and East Timorese saw live telecasts of the recent World Cup soccer tournament in Spain.

"I agree that there still is much to be done... we are still in the first phase of development. But you can see much already has been done," said A.P. Kalangie, East Timor's provincial secretary and Jakarta's top administrator in Dili.

More roads and the transfer of hundreds of experienced civil servants from elsewhere in Indonesia to help administer the growing infrastructure are his main priorities, Kalangie said in an interview.

Last Saturday was observed as "integration day," marking the day in 1976 when Jakarta formally absorbed as its 27th province the territory that it had captured militarily.

In resolutions every year since then, the United Nations General Assembly has rejected Indonesia's takeover. The vote last November favoured independence by 54 to 42 with 46 abstentions.

The latest resolution "calls upon all interested parties, namely Portugal as the administering power, and the representatives of the East Timorese people as well as Indonesia to cooperate fully with the UN with a view to guaranteeing" the people's full exercise of self-determination.

Indonesia officially rejects the UN demand as interference in its domestic affairs. Privately Jakarta would like to settle the issue which has caused it much international embarrassment, Western diplomats said.

Admiral Sudomo, head of the powerful command for the restoration of peace and order, said Jakarta was not in contact with Lisbon regarding East Timor.

He said Indonesia was not seeking mediation by the Vatican to resolve the issue, although Foreign Minister Mochtar Kusumaatmadja visited the Vatican in late May to check out possibility of the Pope mediating between Lisbon and Jakarta. No action was taken.

The half-island is by no means open to casual visitors or even those who wish to phone there. Would-be callers are told by the operator in Jakarta that only civil servants or military personnel get connections. Once in Dili, however, there is no ban on phone calls out of the province.

Reporters are accompanied to all officially arranged interviews by an escort who records the conversation in his own notebook. However, no attempt is made to deter journalists from approaching other people willing to talk.

"There is no freedom here. They don't want the truth known," said Monsignor Martinho da Costa Lopes, the Vatican's apostolic administrator who is widely known as "the bishop." The population is predominately Roman Catholic.

He declined to be interviewed when approached outside his residence, for fear of retaliation against his 30 missionaries.

"I'm not afraid for myself, just my missionaries. They won't bother me... our view of things differs from that of the government. They forbid us from telling the truth," he said.

When Dutch-controlled West Timor joined newly independent Indonesia in 1945, the east and a small enclave on the north coast called Ocussi remained as a relatively impoverished overseas province of Portugal.

Jakarta made no special effort to wipe out all traces of 400 years of Portuguese rule since taking over the east.

Street names such as Salazar and Dr Antonio de Carvalho remain. New street signs merely substitute *jalan*, the Indonesian word for street, for the Portuguese *rua*.

Once a popular stopover for Australian tourists, the few hotels in Dili are mostly empty. But they boast ample pre-1975 stocks of Portuguese wines at bargain prices.

The influx of Muslims from overcrowded Java has not disrupted East Timor's easygoing lifestyle. Many of the newcomers have eagerly adopted one old colonial tradition — a siesta from 2 to 4 p.m. — AP

CSO: 4210/643

LARGE INCREASE IN DOMESTIC, FOREIGN INVESTMENT

Kuala Lumpur BUSINESS TIMES in English 12 Jul 82 p 19

[Article by Warief Djajanto in Jakarta]

[Text] DESPITE global recession, foreign and domestic investments are soaring to unexpectedly new heights in Indonesia.

In fiscal year 1981-82, local investments totalled 2.7 trillion rupiahs (US$4.3 billion); foreign investors jumped to US$954 million for the same period.

By Indonesian standards, the investments represented a substantial leap over that of the previous fiscal year. This meant an increase in domestic investments of 79.3 per cent and 54.2 per cent in foreign investments.

During the year, 215 new domestic investment projects and 37 foreign ventures were approved. Leading in the domestic investment field were non-ferrous minerals, chemicals, electric power, forestry, agriculture, wood industry and textiles.

The bulk of foreign capital was poured into the chemical industry, metallic manufactures, wood industry, basic metals and forestry.

Most of the domestic investments were concentrated in West Java, with a total of 698.4 billion rupiahs (US$1 088 billion), followed by the Greater Jakarta area, the rich timber province of East Kalimantan, Irian Jaya and West Sumatra.

Foreign investments during the year were heavily concentrated in Jakarta, followed by West Java, Aceh, Riau, East Java and Central Sulawesi.

Japan emerged as the biggest single investor by nation with US$263.5 million, followed by The Netherlands, Philippines, West Germany and Taiwan.

In terms of employment, both domestic and foreign investments generated jobs for 127,886 Indonesians and 1,439 foreigners. Domestic investments were the biggest employer of agricultural workers, followed by forestry, wood industries, textile and the chemical industries. The wood industry was the top job provider in foreign investments.

Chairman Suhartoyo, Indonesia's Investments Coordinating Board (BKPM), attributed the spurt to investors' confidence in the resiliency of the country's economy in the face of global recession, inflation and unemployment.

Mr Suhartoyo said that domestic investments were "astonishing." The increase represented a 52 per cent jump over a 12-year period (1968-80).

Despite the dramatic increases in both domestic and foreign investments, Mr Suhartoyo admits that Indonesia's investment campaign is still hobbled by several constraints.

One of these problems is the difficulty in procuring adequate financing, mainly because of limited domestic capital available from banking institutions and non-bank sources, and high interest rates.

Another big drawback is the absence of government security or cover for foreign credits and the slowness of domestic capital formation due to low national income per capita. National per capita income is only between US$300 and US$400.

Another major problem involves marketing of manufactured goods abroad. Local commercial syndicates still have to learn a lot from their foreign counterparts regarding marketing strategies and control of export goods.

The quality of Indonesian products is another crippling setback to the country's export drive. Compared with exports from industrialised countries, Indonesian goods leave much to be desired in terms of quality, even packaging.

Indonesia insists on joint venture arrangements with foreign investors, but foreigners complain that they are having a difficult time getting right domestic partner, particularly one who could provide the needed "participatory capital."

Transportation problems also jack up export costs. The country's infrastructure network and communication facilities still lack the sophistication that global commerce sorely needs.

Another constraint that foreign investors complain about is government restriction on the recruitment and entry of foreign personnel on the managerial level.

The restriction is obviously designed to maximise employment of local talents and to maintain national leverage on the job requirements of the firms.

But even these constraints have not deterred foreign investors from trying their luck in Indonesia as shown by the growth of foreign investments in the last fiscal year.

Mr Suhartoyo said that investors look beyond the restrictions to the longer-term business prospects of the country. "And what they see far outweigh the drawbacks," he said.

Mr Suhartoyo himself admitted Indonesia has a long way to go in its development efforts. Present constraints on both domestic and foreign investments only show that government policymakers are still in the learning stage. — Depthnews

CSO: 4220/643

DISAGREEMENT WITH FRANCE OVER TEXTILE EXPORTS

Kuala Lumpur BUSINESS TIMES in English 8 Jul 82 p 2

[Text]

JAKARTA, July 7

FRANCE and Indonesia are still at loggerheads over Indonesian textile exports after the 48-hour visit here of French External Trade Minister Michel Jobert.

The French minister engaged in a heated battle of figures with his Indonesian counterpart Radius Prawiro that lasted all the way to the airport yesterday as Mr Jobert took his departure.

And the fight is by no means, over. Mr Prawiro said he would be on the phone to Paris as soon as Mr Jobert returned.

The dispute involves far more than the apparent difference of only about one million francs (US$143,000) in the textile export quotas proposed by the two sides.

There is the implicit threat that Jakarta will brake its fast-expanding bilateral cooperation with Paris if it is not settled.

France's trade surplus with Indonesian will approach two billion francs (US$290 million) this year, more than three times greater than it was last year.

And French companies have already netted contracts here worth 4.7 billion francs (US$682 million) so far this year — almost as much as they did during the whole of last year.

Furthermore, French firms are currently involved in negotiations for huge contracts here involving telephone and radar links, and urban rails project and the building of gearboxes.

Mr Jobert said the next financial protocol between the two countries would be signed in autumn. It will probably involve loans and credits to Jakarta totalling 340 million francs (US$49 million).

He said he was "very satisfied" with his talks with Indonesian leaders, including President Suharto.

But delegation members were worried about Jakarta's hard-line stance on a recent decision that countries doing business with Indonesian must buy as much as they sell, not including oil.

On the textile dispute, informed sources said Mr Jobert proposed that France import 707,000 shirts from Jakarta this year (against the Indonesian demand for 770,000), 422,000 pairs of trousers (573,000) and 417,000 blouses (343,000).

Both proposals are well in excess of quotas laid down laid in the Multi-Fibre Arrangement (MFA).

A member of the French delegation said the "door is open, but not very wide," to a compromise. — AFP

CSO: 4220/643

EUROPEAN COUNTRIES PROTEST NEW SHIPPING POLICY

Kuala Lumpur NEW STRAITS TIMES in English 20 Jul 82 p 13

[Text]

JAKARTA, Mon. — Ten European members of the Organisation for Economic Co-operation and Development (OECD) are making a joint protest to Indonesia about a new policy requiring all government cargoes to be shipped in Indonesian vessels, diplomatic sources said today.

A note to be delivered to the Foreign Ministry tomorrow states that it "constitutes a significant departure from the principle of equal treatment on which commercial shipping relations with the government of the Republic of Indonesia have traditionally been based.

West Germany, the Netherland, Italy, Britain, Denmark, Sweden, Belgium, Finlands, Greece and Norway have joined in the protest, the sources said.

Japan delivered a protest 10 days ago and the United States sent a note last month, describing the policy — Presidential Decree Number 18 — as "blatant flag discrimination".

Commodities

The sources said France had been invited to join the protest but its embassy here said it had received no instructions from Paris and on the subject.

The shipping regulation is understood to have been raised verbally by French Foreign Trade Minister Michel Jobert when he visited Jakarta earlier this month.

The new policy also drew a protest from foreign shippers operating here who say they stand to lose millions of dollars of business.

It orders that all export and import commodities must be carried by vessels operated by Indonesian shippers. These include imports financed by the State budget, including items paid for by foreign aid, as well as commodities owned by State-run commercial bodies.

However, it was not clear what the government intends to do with shipments by the State oil company, Pertamina.

Some 90 per cent of Indonesia's oil is currently carried by non-Indonesian flag vessels.

Restrictions

The European protest asks Jakarta to reconsider the decree saying it was incompatible with the United Nations Code of Conduct for liner conferences which was "ratified by the government of the Republic of Indonesia without reserve".

"The restrictions envisaged would have a detrimental effect on the continued participation of (European) shipping companies in the seaborne trade with Indonesia," the draft note added.

West Germany and the Scandinavian lines among members of the European Freight Conference are the main shippers to Indonesia from Europe, accounting jointly for more than 40 per cent of cargoes. This group handles nearly 50 per cent of Indonesian trade westbound.

Shipping industry sources estimate that about 20 per cent of cargo from Europe to Indonesia and as much as 45 per cent of freight in the other direction could be construed as Indonesian government cargo, the latter including a large amount of raw materials such as rubber from government-run plantations.

However, industry sources said "the real target of the new policy is the US-Indonesia freight market, where Indonesian vessels only carry around 20 per cent of the total." — Reuter.

CSO: 4220/643

FOREIGN INVESTMENT IN ENGINE PLANTS APPROVED

Kuala Lumpur BUSINESS TIMES in English 26 Jul 82 p 22

[Text]

JAKARTA, July 23 FIVE joint ventures with a total investment of US$265 million have been approved by the Capital Investment Coordination Board (BKPM) for the production of diesel and petrol vehicle engines in Indonesia.

A Ministry of Industries spokesman told the *Kompas* daily that the engines will be four Japanese makes — Daihatsu, Mitsubishi, Toyota and Isuzu — and one West German, Mercedes Benz.

In the joint ventures, Daihatsu of Japan will team up with Astra Int. of Indonesia, Mitsubishi with Krama Yudha of Indonesia, Toyota with Astra Int., Isuzu with Pantja Motor of Indonesia and Daimler Benz with Star Motor as Indonesian partner.

Daihatsu, with an outlay of US$121 million, plans to produce 224,000 units a year of diesel and two types of petrol engines. Mitsubishi, investing some US$58 million, plans one diesel engine and three petrol types and Toyota, with a US$40 million outlay, plans 109,000 units of a diesel and two petrol types.

Isuzu, investing some US$29 million, plans an annual 90,000 units of diesel engines and Daimler Benz, with an investment of US$16.25 million, counts on turning out 7,500 diesel engines.

The engine production programme is in line with the government's target of having all industry components produced at home. The last batch, including engines, transmissions, braking systems, clutches and wheel axles, is slated for home production by 1984. — AFP

CSO: 4220/643

PRIME MINISTER REVIEWS FIRST YEAR IN OFFICE

Kuala Lumpur BUSINESS TIMES in English 16 Jul 82 pp 20, 21

[Interview by A. Kadir Jasin]

[Excerpts]

QUESTION: *Datuk, do you think we could move on to foreign policy before we come to domestic politics. First general question, Datuk, are you satisfied after one year at the helm that Malaysia is on the right path in her foreign policy. Does this scheme that you introduced of concentric circles of interests still obtain. You know, first Asean, then Islamic nations, and so on. What is your general feeling about the direction of our foreign policy?*

ANSWER: I think by and large the foreign policy that we have followed is good for us because it is a much more positive policy, apart from arranging a system of priorities for Malaysia. We are now putting greater emphasis on bilateral relations. Hence, our definite effort to establish contact with Fiji for example, among South Pacific countries. We find that bilateral relations, enables us to know people more intimately, know what are their problems and how we can work with them. Multi-lateral relations had not been yielding that kind of intimacy and understanding. So I think, by and large, we have formulated a foreign policy that is bringing some results.

Q: *Won't it be right to say that foreign policy under your leadership has changed in the sense that there's greater emphasis to real relationship, you know to trade, to investment, to the real things in relations rather than conceptualised things about interests, spheres of influence and affinity with blocs or movement and so on?*

A: We have not forgotten the need to subscribe to certain ideals. Like the concept of neutrality and all that. And at the same time we find that we have to get down to the nitty-gritty as well. This has yielded a little bit more positive results.

Q: *What about our relationship with Britain at this juncture.*

A: It's prim and proper as among sovereign nations.

Q: *But there are complaints from some British officials that your department does not even consider British goods even though they are good and competitive?*

A: This is not true because I look at these tenders myself. We still buy a long list of British goods whose prices are competitive and quality good.

Q: *Some people say that you tend to group say countries like Australia, Canada, New Zealand in the same category as Britain, considering them part of the empire. Is it true?*

A: No, I think it is not true. Our relationship with other countries is based on our experience with them. It is not based on our experience with Britain.

Q: *Datuk, how much change are you getting out of the US relationship, I think probably our relations with the US are the worst amongst those with so-called Western countries, particularly over tin, the release of GSA stockpile and the unwillingness to consider the impact of such releases on our own economy and in turn on perhaps even the national security of our country. The sector involved may be a predominantly Chinese sector and this may give rise to problems. Have we tried to communicate effectively with the UR; tell them, show them the consequences of their actions which are actually contrary to their expressed interest in us.*

A: I think individual Americans are very sympathetic. I have met a number of them and some of them claimed that they have direct access to the powers that be in Washington, but I have yet to see any results and I get this feeling that there is a great deal of insensitivity, or even a great deal of ignorance, about Malaysia in Washington. I think for some officials maybe Malaysia doesn't exist at all. That is the feeling that I got. I may be wrong.

Q: *You have said that Malaysia will not provide weapons to any Kampuchean faction but statements have also been made often on behalf of Malaysia urging that non-communist faction should be given the big stick. Isn't there a contradiction here? Can you please tell us here what is really our policy?*

A: We are not going to give them arms and we are not going to stand in the way of other people who want to give arms. That is their business.

Q: *Turning to our relationship with the Philippines at the moment, Datuk, they have been pressing for an Asean Summit which Malaysia is not keen on. They have not finally dropped their claim to Sabah which they said they would do. Also, occasionally Philippines continues to make allegations that Malaysia trains Moros. So there is a general situation of discord with the Philippines in a generalised way though it does not manifest itself in specific terms.*

A: I think there is no discord but it is also true that there are differences on certain matters, certainly on the matter of

summit. We do not see a great and urgent need for it because we would like a summit to achieve something. But a summit that is just a meeting or becomes a social gathering will not, I think, achieve very much.

Q: *Datuk, foreign reports put us as being responsible for placing our armed forces on a so-called disputed island of Indonesia. Will you as a Prime Minister and Minister of Defence tell us what is the real situation.*

A: I think there are some differences of opinions with regard to this particular island. That is being resolved in the spirit of Asean brotherliness.

Q: *How long have we had these differences?*

A: Well, as you know we published our (maritime) boundaries sometime ago. We invited all our neighbours to make whatever comments they wished, and to negotiate the boundary if they disputed our claim.

Q: *Is there a presence of armed personnel on the island? Admiral Sudomo, I think, said there was in a report carried yesterday.*

A: There's none, but it may be possible that a patrol boat might have landed some people there just for a while in order to look around, after which they got back on their boat.

QUESTION: *Datuk, on the question of the Look East policy, it appears that the policy has generated considerable interest and to a limited extent some confusion — you see the paper today that some people think buying a Japanese car or a computer is part of the policy. What exactly is the Look East policy?*

ANSWER: Well, we have been looking to the West in the past. So whatever you used to do before with West I think you should also do with the East. And if you have learned all the bad work ethics of the West before, it is about time you learn some of the good work ethics of the East. But if there are bad work ethics in the East, we don't follow that either. Look East means we should tap resources from other sources than just the West; it doesn't mean that we are going to give up the West. We will still follow what is good there. But at the same time we look East as a new source of ethical values, systems and everything else which are useful for us. So why shouldn't we make a deliberate effort to acquire them from the East. I don't mean that we should, therefore, buy only Japanese goods, but if the Japanese goods are good, why not?

Q: *What you are saying is that we should acquire only those parts which are good and which can be useful to us and are adaptable to our own situation. And you would like also to reject those things that are bad and which are not possible to implement well in this country.*

A: Yes, there is no race that can be so perfect that anybody can copy every thing from them. We probably have got some very good ethics ourselves. We are not going to dismiss our good ethics because we are looking East now. But we should complement; we should re-examine ourselves to find out whether our ethics could be supplemented by something we borrow from the East. Work ethics is something that I think is very useful for us. That's why the emphasis is on work ethics, systems management style, management practices; these are things you can learn from them.

Q: *Are there not bad things which we should not learn, for example, promotion on the basis of age but not merit?*

A: Ya, to a certain extent there is some serious weakness in promotion on the basis of age. So we should study whether there are any good points or bad points in this approach. There may be some good points there, it all depends on the attitudes that you adopt. The Japanese have shown that there is a virtue in that system. The thing that happens is that the younger man accepts that the system will eventually benefit him, and therefore he is going to make sure that the system works. When the Japanese boss who is not knowledgeable gives an instruction to his subordinate who is brilliant, the brilliant subordinate does not immediately say, "Ah, how stupid of him!" He will do his level best to ensure that the instruction is translated in such a way that it will bring about success. That is the Japanese attitude towards the system. Therefore, it works. But in our system, whether by seniority or by merit, the moment somebody goes above us, we go round telling people that fellow is a rotter. You run him down, you denigrate him because you think that you are the best. And in that situation even if promotion is by merit, the system is going to fail. So the part of it that you should follow is that we should accept the system. If the system says that it will be promotion by merit, then we bow to anybody promoted by merit. That is what is important.

Q: *Doctor, the Look East policy has some bad immediate, short term, effects. There have been cases of some Japanese, especially Japanese businessmen, becoming arrogant, expecting that they should be given priority over others. Has it been so?*

A: Well, I have heard this complaint. I have myself have no experience of any arrogance on the part of the Japanese. What is true is that since the Look East policy there has been an influx of Japanese. There will be more contacts between Malaysian and Japanese. In the process, of course, people who were not exposed to Japanese before may find that they have to deal with the Japanese now. They may find that not pleasant because they were used to different types of personalities. But as far as I can see, the Japanese are very willing to offer practically all their facilities. You know, practically everyone of them has volunteered to give places for training, to give scholarships, to pay fares, to put their men in our business establishments in order to give their expertise. Of course, in the process, there may be some who try to take advantage. But there is no reason why we should accept such an attitude.

Q: *But in Indonesia they (the Japanese) have been dubbed as economic animals. Maybe, in our case the fact that they are willing to come forward to offer all sorts of facilities is a sort of an investment for their own benefit in the future.*

A: I think it will be very nice to say that the Japanese are doing this because they love us, or because they want to deprive themselves of their profits. I think they are doing this because it is still in their own good. But if in the process we also get some good, I think we should be happy. There is no nation in this world who is helping us because it loves us and wants to deprive itself of some advantages. Everyone who offers something to you has got something else in mind. Let's accept that as a fact of life.

Question: *How bad really is the economic situation in the country presently? Or how good is it? And how has the current situation affected the planning of the various projects under the Fourth Malaysia Plan?*

Answer: It is relatively bad, relative to what we were used to before. Before we were used to growth of 8 per cent, now it is reduced to 5 per cent. Therefore, in our estimation it is bad. But in the eyes of the world it is still extremely good because most countries in the world are experiencing negative growth or very minimal growth. So I would say that, relatively, we are not as well off now as before. We must take things seriously because any tendency to be complacent may result in a further slide. And a slide, once it takes place it is very difficult to reverse. That is why we have made the country aware of the situation. We try to get them to understand what the government is doing. Why do we talk about productivity, why do we have to cut expenses etc. This we are doing publicly because there is nothing worse than people who are euphoric, starry-eyed. They think the world is wonderful and then suddenly they find a big hole, and they just fall into it. Then, of course, it is too late to do anything.

Q: *There was recently the announcement there is an across-the-board cut in the budget of the government by 12 per cent and that for next year there will be another 12 per cent cut. How will this affect the government departments? Some sources are saying that one possible effect of the cutback will be greater efficiency in the government. This of course presumes that there has been wasteful spending or at least that the budget had all the while had a cushion every year. And cuts could lead to more useful spending.*

A: In the past, one of the things that we noticed was that there was a tendency to over-budget. For example, in any one year you will find at least two supplementary budgets. And if we total them up, of course the amount is very big. But at the end of the year when the accounting is done, you find that you have expended less than what was originally budgeted in the first place even without the supplementaries. This showed that we were not very good in terms of budgeting. So now we are having another try to make sure that we budget for actual spending. This is a good exercise. It will make our staff very much more careful about the way they prepare the budget and the way they expend the budget.

Q: *Should the tasks set for HICOM be cut in view of the slower prospects of world-wide economic growth? For instance, should plans for cement plants be extended over a longer period and the cold rolling mill shelved for the present?*

A: The normal tendency is to cut back during a period of recession. But before this is done we have to think whether the cutback is going to affect the situation immediately or is it going to affect the situation at the end of three, four or five years. We know that the world economy tends to fluctuate; there is a peak period, there is a trough, and there is a peak again. This is the cycle that goes on all the time. If you invest during a trough, the project will come on stream during a peak. That is when you rake in the money. By just investing at a peak period, you may end up coming on stream during a trough. You are then going to loose money. Most of the investment involving high costs, would take several years to mature, may be three years, may be four years. To panic and say since the situation is bad now, we should stop investing for the future, will make recovery more difficult. We have to remember that no recession can last forever. There must come a time where there is an upturn. What we are thinking about is that we should be ready when the world economy picks up again in about three to four years time. By that time the investment that we are putting in — which is really low-cost investment because it is being made during a trough — will produce the yield which you expect during a peak. If you try to invest during a peak the cost also will be high and the yield will come during the trough. Then you are in trouble.

Q: *Datuk, in the government's estimation, how long will this present recession last? It is a difficult question to answer but, of course, you must have a certain idea if you want to make a decision.*

A: I am not an economist, I am only a doctor. This is very difficult for me to predict. People have been talking about recovery, you know, since 1980. They were talking of a recovery at the end of 1980. When the time approached, they said no, it would be at the beginning of 1981 or end of 1981 or the middle of 1981 and so on. But it has gone on for quite a considerable length of time. So we cannot say with any degree of certainty when the economic recovery will take place but general opinion puts it as at about the end of 1983 or beginning of 1984. It used to be end of 1983 but now they have added "or." So the crucial factor here is, of course, the leadership of the world. At this moment we have two leaders who are extremely stubborn, who have very strong ideas about economic management. And no matter what the economists tell them, they are going to stick to their guns. So if the economists are right and they are wrong, then of course the recovery will be later.

Q: *Who are two world leaders?*

A: Your guess is as good as mine.

Q: *Datuk, when we planned our budget last year, the assumption made by our own economists was rather too optimistic. The basis for the price of rubber, tin and petroleum was way above the present level. Of course there is an element of chance in all these. But the frightening thing is that we were way off.*

A: We are not the only ones who were way off (in our forecast). The whole world was way off. There are people who were even further way off than we were. Our projections are not so bad. But some people have been proved totally wrong. You can blame our projections with the benefit of hindsight. But when we were drawing up the Fourth plan, people were saying why we put development expenditure at $42 billion. Why not more to stimulate growth, they asked.

Q: *Datuk, on the subject of leadership by example, the word is that you, or the new government, has directed all senior politicians, junior politicians and senior civil servants and so on that they must adjust to a less ostentatious lifestyle, that they should not indulge in conspicuous consumption. Is this true?*

A: Well, on the salaries that all these people draw I don't think they can be very ostentatious. If they are ostentatious, then there must be something wrong with their behaviour. What they have been told to do is to live within their means. If they live within their means there should be no ostentation. That is all that we want them to do.

Q: *Datuk, some of them may have private perfectly legitimate sources of income, either through rich wives or whatever. But there is the rationale that if they are too ostentatious, people might associate the government with such extravagance and therefore the government becomes more remote from people?*

A: Well, if they are all that rich I think it is better for them to live on their riches rather than be with the government. If they are with the government, they should live within the means of their government income. If they find this too restrictive, they of course have to reconsider their positions. We cannot have the situation where we will have to explain that so and so is rich by inheritance and all that. That is not in keeping with our desire to have a clean, efficient and trustworthy government.

QUESTION: *Datuk, I would like to go back to your comment on corruption. Even if some people prefer you to slow down on that front, more people are being called in (for enquiries) or have been arrested for corruption. But only occasionally we have big fish caught in the net. Are there so few of such people? Do you think you are going in the right direction in trying to control corruption within a manageable level?*

ANSWER: There are quite a number of big fish, I have got to admit that. But I would like to explain corruption a little bit. There are two types of corruption; one is legal corruption and the other one is moral corruption. You can devise a law which will punish the corrupt but laws on corruption, like laws on anything else, have got loopholes. People who are smart use these loopholes to commit corruption and yet get away with it. So we know so and so is corrupt but we cannot catch him because he has avoided what is illegal and done what is perfectly legal. Therefore, we cannot take him to court. But what he has done is still morally corrupt. For example, we have a ruling saying that an Exco member may not sit in the Exco when a discussion on his own application is taken up. So if he sits, of course this is a case of corruption. But, on the other hand he may work very well with his other friends. When it is his turn, he goes out; the other friends push it through. The next time the friends go out, and he pushes it through. So legally, there is no corruption. We cannot hold people like this and bring them to court. I know hundreds of acres of land have been alienated in this way, but I can't catch them. I know they are morally corrupt but I can't expose them. I think you can expose them like you did in the case of Taman Aman. There was no corruption, legally speaking. But I think the public feels there was morally a corrupt practice.

Q: *During the debate on the recent amendment of the anti-corruption law you said that in cases where legal action was not possible, the government had other options like dismissal. To what extent has this been done?*

A: We dismissed a number of people. But since corrupt practices have been going on for a long time, the number of people involved is large. So if we are to dismiss those involved, a larger number will be affected. This makes things very difficult for us.

Q: *Did the selection of (Barisan Nasional) candidates in the last election in any way reflect the "dismissal" of people suspected of corruption?*

A: That judgement has to be made by others. I myself do not have anything to say.

Q: *Datuk, while on the same subject, some people say if you are really serious about creating a clean, efficient and trustworthy government, you have to start calling for by-elections. In their view, some of the present legislators do not fit in with what you really desire.*

A: That may or may not be true. But where I cannot prove, I have to allow the benefit of the doubt. I cannot punish a person unless I am convinced that the evidence is very clear, even if it is a case of moral corruption. I have to be convinced, the cases that I have let go are cases where I suspect but have no means of proving moral corruption. If there is legal corruption, we can go to court.

Q: *Datuk, on the question of moral corruption, you mention a specific case of an Executive Councillor helping his friends and then getting his back scratched by his friends. In many countries, this is actually illegal. Can we not amend the law to make it such. Cannot we introduce some system whereby not only do we punish what is legally corrupt now but also the morally corrupt by making what is morally corrupt also legally corrupt.*

A: The problem is one of having to prove it in the court. How do you prove bias in the court. The man will say that the decision are based on the merits of the cases. So this is very difficult. In many cases, they can hide under different names, names of relatives and friends. All these things are being done, I know, but I can't catch them.

Q: *I asked you the last time whether you were afraid of losing supporters, very strong supporters, by this clean-up campaign. You said, "Well, I have built alternative support." I would like to know whether you are still confident there are enough clean people to have alternative support.*

A: I think I have up to the moment, anyway. But of course I cannot be sure. It depends on the people in this country: if they still support me, I'll be there. I would still be able to do this thing but if people start saying that he is treading on too many toes, I will be out. It doesn't mean that I am going to stop but I will be out, that is all. I am sure that there are a lot of people who would like to pin something on me.

QUESTION: *Datuk, can I ask about Anwar Ibrahim? Some people are wondering whether he is a very charismatic leader. He seems sincere. He has his vision of Islamic Malaysia. He has a following growing everyday. Some people are wondering whether you would be able to ride this young tiger. Would you be able to contain his eagerness for an Islamic Malaysia?*

ANSWER: I don't see any reason to worry. If he sticks to proper Islamic interpretation, then there is nothing for anybody to worry about what he wishes to do. In fact, since we are doing what he would like to do, he joined Umno and became its candidate. Of course, a lot of people equate Islam with some extremist demands. That is not Islam. Extremist demand is not Islamic. Islam should be tolerant, should be considerate of the need of others, and this is what Anwar stands for. As far as I can make out he has not demanded something impossible of the government. He thinks there should be an Islamic Bank, and there is no difference of opinion between him and me. I don't think there is need to worry about riding a tiger and all that. He is a very mild tiger.

Interjection: *They are mild when they are babies!*

Q: *To go on to specifics, Datuk, there has been some worry among the people who know him well. He is interested in putting Islamic law instead of ordinary law, and there are a lot of people who think it is feasible. But actually Islamic law is not a body of law. It is a very elementary, rudimentary actually, having no body of precedents. So one day when Anwar's position is stronger, he and his followers will ask for Islamic law. How are you going to cope with it?*

A: I think, if he keeps to the spirit of Islam, there shouldn't be any problem. As far as I can see, there is no problem. We are not seeking to impose conditions on people which are not acceptable to them, non-Muslims for example. It is not the intention of Islam to impose itself upon non-Muslims because Islam says your religion is yours, my religion is mine. So why should we worry about such things?

Q: *In other words, you do not rule out the possibility of this country adopting Islamic law?*

A: It already adopts personal Islamic law as a personal law of the Muslims. Aspects of Islamic concept of justice are already to be found in the common law that we have in this country. Where the law is entirely against Islamic concept of justice, then of course we have to rethink about it. As far as I can see, criminals are punished in Islam and they are punished in any other system.

Q: *But Dr isn't there a possibility, going right down to literal things like having your hands chopped off and things like that. Will it get to that?*

A: I don't see very many Muslim countries which practise that. The conditions for that are almost impossible to achieve. In fact if we have Islamic law in this country, people may resort to stealing, because it requires four witnesses, and they have to be Muslims who are good Muslims. It is very difficult to find four good witnesses to a crime. So because of this problem, a lot of countries resort to other punishments. But if the situation becomes that this country is totally Muslim and they are all good Muslims and they are willing to come forward and testify that so and so has stolen then in that situation we can practise Islamic law and I don't see why anybody should complain. As I said Islam is a pragmatic religion. What it says is that people who commit crime must be punished.

Q: *So there is no basis for fear?*

A: No, I don't think people need to worry about this. I know a lot of people worry, but I think it is due to lack of understanding. They see some extremist practices elsewhere and they think that is what we are going to do here. We have been extremely reasonable in this country. We have not tried to force the non-Muslims to accept anything that is against their own conscience just because we want to impose our will. That is not the proper thing to do. But there may be a time when everybody accepts Islam and then of course at that time there is no problem and they are all good Muslims.

Q: *What is the thinking Datuk in your Cabinet, particularly of the non-Muslim members?*

A: The non-Muslims don't seem to be worried about this thing. They never raise the matter at all. They know what we are practising in this country is totally compatible with their own concept of justice, and it is also compatible with Islamic concept of justice.

CSO: 4220/644

MINISTER OF CULTURE CHARGED WITH MURDER

Certain Election Winner Killed

Kuala Lumpur NEW STRAITS TIMES in English 11 Jul 82 pp 1, 4

[Excerpts]

TAMPIN, Sat. — The Minister of Culture, Youth and Sports, Datuk Mokhtar Hashim, and four others were tentatively charged in the magistrate's court here today with the murder of Negri Sembilan Speaker Datuk Mohamed Taha Talib.

The other four accused are ketua kampung Rahmat Satiman, 54, of Kampung Repah, Tampin; Mohammed Noordin Johan, 33, a company manager from Taman K.S.M. Bahau; Aziz Tumpuk, 53, a businessman from Batu Berendam, Malacca; and a self-employed man, Aziz Abdullah, 63, of Kampung Geduk, Gemencheh.

Former Negri Sembilan State Speaker Datuk Mohamad Taha Talib was shot dead outside his home near Gemencheh about 1.15 a. m. on April 14.

His body was not discovered until about five hours later, by his nephew, Adnan Khamis.

The killing of Datuk Taha shocked the nation which was in the midst of preparations for the country's general election.

Datuk Taha, 56, was seeking re-election for a sixth term as Assemblyman for Gemencheh.

The night before the incident, Datuk Taha had returned home after attending a discussion at the Barisan Nasional elections room in Gemencheh.

He was about to retire to bed when someone came calling. He invited the man in and told his wife to make some coffee.

However, when his wife returned with the drinks, Datuk Taha and the man had left.

Minutes later, gunshots were heard.

Suspect's Background

Kuala Lumpur NEW STRAITS TIMES in English 11 Jul 82 p 4

[Text]

DATUK Mokhtar Hashim is the deputy president of Umno Youth and is a member of the Umno Supreme Council. In 1981, he gained the third highest number of votes bettering his position from number 16th in 1978.

Datuk Mokhtar's rise in Government has been rapid. At the age of 30, he was elected as MP for Rembau/Tampin, Negri Sembilan in a by-election in 1972. He was then working as a plant breeder in Harrison and Crossfield's Oil Palm Research Centre in Banting, Selangor.

He had started there in 1967 after graduating from the University of Malaya with a Bachelor of Science degree.

Though he had been a member of Umno since 1967, he became active at the division level in 1972 shortly before the by-election. He was then deputy head of the Umno division and Umno Youth, Morib, Selangor. After his election as MP for Rembau/Tampin, his divisional base shifted to Tampin.

Datuk Mokhtar's political base in Tampin remained that of Umno Youth. He was re-elected unopposed in 1974 and again in 1978. He was returned yet again in 1982, this being his fourth term as an MP.

It was only in 1980 that he succeeded in taking over as head of Tampin division.

In Government, Datuk Mokhtar has risen from being Parliamentary Secretary, Ministry of Culture, Youth and Sports in 1972 to Minister in 1980. In between, he was Deputy Minister of Agriculture and Fisheries, then Deputy Minister of Defence. In 1979 he took over as Deputy Foreign Minister.

In 1980, Datuk Mokhtar was one of the recipients of the Jaycees Outstanding Young Persons of Negri Sembilan Award for 1979.

Born on May 1, 1942 in Kampung Padang Lebar, Rembau, Negri Sembilan, Datuk Mokhtar is the son of a clerk.

He received his early education in Rembau and Gemas before moving to the Malay College, Kuala Kangsar.

In 1967 he graduated from the University of Malaya with a Bachelor of Science degree.

His university days were marked by much activity. He was president of the University of Malaya's Student Union during the 1964/65 session and the president of the National Union of Malaysian Students the following year.

Datuk Mokhtar is married to Datin Bahariah binti Mohamed Yusof and has three children. His bio-data gives his hobbies as reading and playing squash.

Victim Active in Politics

Kuala Lumpur NEW STRAITS TIMES in English 11 Jul 82 p 4

[Text]

DATUK Mohamad Taha, an Umno veteran of more than 30 years spent the last two years of his life in a successful fight for political survival.

In a "mini-Cabinet" State reshuffle he was retained in charge of the religious portfolio.

Some 14 months later he was shifted into 'political neutral' when he was appointed Speaker of the State Assembly after the death of Datuk Haji Abdul Kadir Abdullah.

According to a statement made by his second wife, Puan Noridah Ahmad, 32, after the murder, Datuk Taha received a series of threatening letters and phone calls asking him to resign from the time he was defeated in the battle for the Tampin Umno divisional chairmanship up until his death. He told her that "some people" had hired bomohs to do him harm.

Because of the opposition to Datuk Taha within the Tampin Division, it was widely expected that he would be dropped as a candidate for the State seat of Gemenchch in the last general election. Haji Ujang bin Ajak, Penghulu of Gemenchch was tipped for the nomination.

However, in a surprise last-minute turnaround on the eve of nomination day, Datuk Taha was again nominated, which meant he was almost certain to win the seat and take his place again as the most senior Executive Councillor. But death intervened.

Datuk Taha first hit headlines in 1955 when this fiery young schoolteacher was publicly banned by the colonial government from making political speeches.

But the Gemenchch farmer's son had been active in politics since the time Datuk Onn was stumping the country campaigning against the Malayan Union in 1946, and he was not to be silenced.

He was first elected to the Tampin State seat in 1959 at the age of 25 and five years later he was appointed to the Executive Council.

Datuk Taha's political heyday was in the late sixties and throughout the seventies, when as senior Executive Councillor he served on several occasions as Acting Menteri Besar and wielded unchallenged influence over the Tampin Division.

In 1974, he was honoured with a Datukship by the Yang Dipertuan Besar.

At his death he was still a powerful and popular figure in Gemenchch, having built up a strong following during his many years in politics and enjoying the support of a wide family network throughout the constituency.

After his murder townsfolk in Gemenchch told the *New Straits Times* that he was well liked and approachable, "interested in everybody's problems".

The manager of the restaurant on the ground floor of the Umno building recalled that Datuk Taha had stopped to chat with him on the afternoon of the murder and had remembered to enquire if the problems the restaurant had been having with its water pipes had been solved.

CSO: 4220/645

EAST EUROPEAN DIPLOMATS WELCOME BARTER TRADE ANNOUNCEMENT

Expands Ability To Purchase

Kuala Lumpur BUSINESS TIMES in English 21 Jul 82 p 3

[Text]

EAST European diplomats welcomed the Malaysian government's announcement that it is looking into the possibility of engaging in barter trading with other countries, and are keen to get further details.

Prime Minister Datuk Seri Dr Mahathir Muhamad, who made the announcement recently, said that this method of trading could help East European countries overcome some of their foreign exchange problems that have in the past limited their capacity to buy Malaysian exports of raw materials.

Through the use of this mode of trading, he said, Malaysia could diversify its markets more easily.

The Charge d'Affaires of the Romanian Embassy in Kuala Lumpur, Mr Ion Donca, said that "this proposal is a positive one which indicates Malaysia's genuine desire to develop trade relations with all countries of the world, including East European countries."

Poland's Commercial Counsellor, Mr G. Nobis, said that the proposal had come "at a unique time when such trading can benefit both Poland and Malaysia mutually."

The Charge d'Affaires of the Czechoslovakian Embassy, Mr F. Vaca, said that his country was very enthusiastic about the proposal and looked forward to its realisation to promote trade between the two countries.

Malaysia's barter trading proposal is seen by these diplomats as a good opportunity for their countries to be able to buy more Malaysian raw materials such as natural rubber, tin and palm oil without being hampered by foreign exchange considerations.

They also see it as an opportunity for them to export to Malaysia more of their products which have not done well in the local market in view of the Malaysian preference in the past to buy more from non-communist West European countries, the United States, Japan, South Korea and other sources.

"If this proposal goes through, we can expect the turnover and volume in our bilateral trade to rise in value over the coming years," one diplomat said.

The balance of trade between Malaysia and almost all East European countries has traditionally been in Malaysia's favour.

For instance, Malaysian exports to Romania last year amounted to $35.9 million, while imports came to $24 million. In trade with Poland, Malaysian exports totalled $48.4 million and imports, $22 million. In Czechoslovakia's case, Malaysian exports amounted to $63 million, while imports were only $14 million.

The common denominator and major items in Malaysian exports to all these countries have been raw materials, such as tin, natural rubber and rubber products as well as palm oil.

The diplomats have already informed their respective governments of this new Malaysian proposal and are anxious to obtain further details about this proposal from the relevant authorities.

The diplomats based in the country have come up with a very basic and tentative list of goods and and services that they are prepared to offer in return for Malaysian raw materials and other supplies.

Romania, according to Mr Donca, is prepared to offer Malaysia some railway equipment, hydropower stations, chemicals, fertilisers, all types of metal bars and sheets, some aircraft (BAC 111-type) and helicopters for agricultural use.

On the other hand, Mr Nobis said Poland could offer Malaysia coal for use as energy, fishing vessels of various types, refrigeration facilities, cargo vessels, commercial tankers, port construction facilities, road and building machinery, railway equipment and machine tools.

Mr Vaca said that Czechoslovakia could offer Malaysia power plants for electrification purposes, industrial plants, machine tools, metal-working technology and some consumer goods such as glassware, pianos, chemicals and also machinery. - Bernama ES

Problems Noted

Kuala Lumpur BUSINESS TIMES in English 19 Jul 82 p 24

[Text]

LOCAL businessmen have picked out a couple of problems that could arise if the government decides to engage in barter trading with Eastern European countries.

These are the apparently limited range of products from the Eastern bloc that could be exchanged and consumer acceptance of the products in Malaysia.

As an example, an executive of a trading firm which has business contacts with Eastern Europe said one possibility for barter would be machinery and equipment from the Eastern bloc.

But Eastern European equipment was modelled on standards in the Soviet Union while the local market had a preference for British, US or Japanese products, he said.

The official felt that Malaysia would first have to identify precisely what products from Eastern Europe could be marketed successfully here and in the region before embarking on barter trade.

One solution to the problem of consumer acceptance would be to carry out an aggressive campaign to promote Eastern European goods, he suggested.

Another possibility would be to negotiate with Eastern European manufacturers on the possibility of making goods according to Malaysian specifications.

If Malaysia finds the range of possibilities limited, it may have to limit exports accordingly to avoid accumulating a huge trade surplus with the Eastern bloc.

Peninsular Malaysia reported a surplus in direct trade with the bloc of about $187 million in the January-March quarter.

The Statistics Department lists eight specific countries in the Eastern bloc in its monthly external trade figures: Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Romania, USSR and Yugoslavia.

Malaysia's present trade with Eastern Europe is relatively small. As an indication, Peninsular Malaysia's imports on a direct trade basis from the bloc totalled $48.7 million in the first three months of the year, 0.8 per cent of Peninsular Malaysia's total imports. The goods were primarily from Poland, the USSR and Rumania.

Peninsular Malaysia's direct exports to Eastern Europe for the period came to $235.4 million, about five per cent of its total exports during the period.

The bulk of Peninsular Malaysia's exports, about 82 per cent, went to the USSR. Exports to Eastern Europe were primarily rubber and palm oil.

CSO: 4220/646

PETRONAS TO BUILD OIL REFINERY IN MALACCA

Kuala Lumpur BUSINESS TIMES in English 14 Jul 82 p 1

[Text]

QUASHING doubts that have arisen recently in oil industry circles, Petronas managing director Datuk Rastam Hadi said the government was definitely pressing ahead with its plans to build a second national refinery at Malacca.

Datuk Rastam told *Business Times* that the present worldwide surplus in refining capacity had little bearing on Malaysia's plans to build up indigenous refining capacity and thus reduce dependence on foreign refineries.

He said that Petronas was even considering building a third refinery but added it was too early to go into details.

Industry sources estimate that some 75,000 to 78,000 barrels per day are now being processed for Petronas at refineries in Singapore. Other oil companies such as Mobil and Caltex are also being supplied by refineries there.

Oil industry executives have privately questioned the wisdom of Malaysia's plans to build the Malacca refinery, which, according to some estimates, will cost $265-$290 million.

To underline his point, Datuk Rastam quipped: "Suppose there is a surplus of restaurants. Would a person building his own house leave out the kitchen?"

He suggested that "perhaps the oil companies are making all the noise because they are afraid that Petronas' expansion will hurt them."

Both Shell and Esso — the only two companies operating refineries in Malaysia — expect to lose substantial government business with the establishment of Petronas refineries.

Petronas, for instance, has taken over the 1982 fuel oil supply contract for two National Electricity Board power stations which used to be supplied by Esso.

Shell has said it will probably lose to Petronas its current lead in the Peninsular Malaysian market for oil products by the end of the decade. It envisages that Petronas' market share will increase to more than 30 per cent by 1990.

The current market breakdown in Peninsular Malaysia is as follows: Shell 39 per cent, Esso 26 per cent, Petronas 10 per cent, Caltex 10 per cent, Mobil 8 per cent, British Petroleum 7 per cent.

The 120,000 BPD Malacca refinery is scheduled to come onstream in 1986/7. Asked why it was scaled down from the original size of 165,000 BPD, Datuk Rastam said it was felt that the revised size was an optimum one.

According to projections by Esso, local demand for oil products in 1987 will reach about 199,000 BPD and supply from local refineries 237,000 BPD, assuming the proposed Malacca refinery comes onstream as planned. This means there would be a surplus capacity of some 38,000 BPD.

Commenting on this, Datuk Rastam said the overcapacity was deliberately planned in view of the expected increase in demand for oil products in the country.

He believed that Petronas would have little difficulty in raising the money for the construction of its second refinery.

It is now building a 30,000 BPD refinery in Trengganu which is expected to be ready early next year.

The licensed capacity of the three refineries in Malaysia at end of last year was some 177,000 BPD. The total throughput (the actual amount of crude processed) was some 115,100 BPD.

Presently Malaysia is short of 53,000 BPD in refining capacity which is expected to decrease to 28,000 BPD by 1983.

The local demand for oil products, currently at 165,000 BPD, is forecast to grow to about 180,000 BPD next year by Esso while supply from local refineries is expected to increase to 152,000 BPD.

Refining overcapacity in South-East Asia at the end of 1981 was some 30 per cent, based on figures in British Petroleum's annual statistical review of the world energy situation.

The excess is more or less similar to global surplus at the end of 1981.

Esso officials predict that the surplus in the whole Asia-Pacific region will increase to 35 per cent during the decade, particularly with the completion of refineries in Malaysia and Indonesia.

Singapore, the refining hub of South-East Asia, with close to 30 per cent of the region's maximum capacity, is currently experiencing some slack in the business.

The industry's expectations are for continuing low demand from the major markets of Japan, South Korea and Taiwan.

CSO: 4220/646

ECONOMIC AGREEMENT SIGNED WITH YUGOSLAVIA

Kuala Lumpur BUSINESS TIMES in English 9 Jul 82 p 22

[Text]

MALAYSIA and Yugoslavia have signed a protocol to increase trade and long-term economic cooperation on technical, investment and financial matters.

Foreign Affairs Minister Tan Sri Ghazali Shafie signed on behalf of Malaysia in Belgrade on Wednesday. Yugoslavia has expressed interest in participating in energy, shipbuilding, agriculture, mining, construction and industrial projects in Malaysia.

These issues as well as ways to improve bilateral trade and long term economic ties were reviewed at a meeting on Wednesday of the countries' joint commission for trade, technical and economic cooperation, officials said.

The two sides agreed that their experts should discuss concrete details of further bilateral economic cooperation, particularly trade which last year reached only about US$60 million ($138 million), the officials said.

Tan Sri Ghazali who arrived in Belgrade on Monday also had talks with his Yugoslav counterpart Lazar Mojsov.

Both sides stressed the importance of the forthcoming non-aligned summit in view of the tense international situation and discussed non-aligned policies and preparations for the summit scheduled to be held in Baghdad next September.

Other topics included bilateral cooperation and major world political and economic problems, the officials said.

Tan Sri Ghazali was scheduled to have separate meetings with Yugoslav President Petar Stambolic and Prime Minister Milka Planinc before leaving for Romania.

The two ministers underlined the necessity to hold the non-aligned summit, particularly in view of the growing arms race and the increasing confrontation between the major military blocs, the officials said.

They stressed the role of the non-aligned movement in world affairs, its efforts to ease international tension and revive detente as well as to press for a solution of the existing disputes and conflicts through peaceful negotiations.

Tan Sri Ghazali and Mr Mojsov urged an end to the Iraqi-Iranian war before the summit opens, the officials said.

Non-aligned diplomats have recently expressed concern about the success of a summit to be held in the capital of one non-aligned country at war with another.

But the two ministers said the Baghdad summit could contribute to the strengthening of unity and activities of the non-aligned movement, according to the officials.

During their two rounds of talks, the two ministers exchanged views on the Middle East, Lebanon, Afghanistan, Kampuchea and other world crisis areas. They also discussed the widening gap between industrialised and developing countries, the officials said.

"There is no any major international issue on which our views differ," Tan Sri Ghazali said in a toast at an official dinner on Tuesday night. — Reuter

CSO: 4220/646

CONTRACT SIGNED FOR CONSTRUCTION OF BINTULU UREA PLANT

Kuala Lumpur BUSINESS TIMES in English 10 Jul 82 p 2

[Text]

ASEAN countries' dependence on outside sources of fertilisers is expected to be substantially reduced with the implementation of the second Asean urea project in Malaysia, the chairman of Asean Bintulu Fertiliser Sdn Bhd said last night.

Tan Sri Abdullah bin Mohd Salleh, who was speaking at the signing of the main contract awarded by ABF to Kobe Steel, said the Asean Bintulu plant will be the largest granular urea plant in Asia when it comes onstream in mid-1985.

Representatives of the shareholders from the other Asean member countries were also present at the signing ceremony.

President of Kobe Steel Dr K. Takahashi signed on behalf of his company.

While it is understood that the contract was won primarily on the basis of its competitively-priced bid, none of the executives wished to disclose the actual figure involved. The project is estimated to cost US$327.64 million (about $737 million) of which 70 per cent will be financed through a loan from Japan. The contract is on a fixed lump sum basis.

Kobe Steel will be working in association with Uhde GMBH and Nichimen Corporation on this project. The former will assist in the building of the plant while the latter will collaborate with Kobe Steel on the financial and trading aspects of the project.

Among the top nine Japanese sogo shoshas, Nichimen, the project coordinator, has been in business for 90 years.

Established in Malaysia for more than 20 years, it is active in the import of machinery, steel, textiles, plastics, chemicals and the export of timber, rubber, shrimp, scrap iron and palm oil. It also has joint ventures with six local companies.

Tan Sri Abdullah, who is also the chairman of Petronas, the major shareholder of the ABF, noted that the signing ceremony marked another milestone in the development of ABF. The company was launched by Tun Hussein Onn in April 1981.

He said the urea project was another example of the ability of Asean nations to work together towards the achievement of common goals.

The plant is expected to produce 1,000 tonnes of ammonia a day, yielding 1,500 tonnes of urea daily. It will produce granulated urea in three different sizes and the product will be treated with formaldehyde to facilitate better anti-caking properties.

Granulated urea is easier for farmers to apply in the field compared to "prilled" urea because of its hardness, even round-shaped and free-flowing properties. Prilled urea absorbs moisture faster and therefore cakes more easily compared to the granular type.

CSO: 4220/646

IRANIAN DEPUTY FOREIGN MINISTER'S REMARKS REPORTED

GF141335 Karachi DAWN in English 13 Aug 82 pp 1, 8

[Excerpts] Islamabad, 12 Aug--Iranian leader Ayatollah Khomeyni is said to have explained the Iran position on the proposed nonaligned summit to President Mohammad Ziaul Haq in a special message delivered today by the Iranian deputy foreign minister for political affairs, Sheykh Oleslam.

The Iranian deputy foreign minister, who was one of the leading revolutionary students who captured the U.S. Embassy two years ago in Tehran, told a press conference here today that Ayatollah Khomeyni's letter to President Haq also explained why the Iranian Revolutionary Government considered it improper to allow Iraq to lead the non-aligned movement.

During his current visit, the Iranian deputy foreign minister said, he had exchanged views with Foreign Minister Sahabzada Yaqub Ali Khan and other senior officials of the Pakistan Foreign Ministry. The issues mainly related to the Iranian position on the proposed non-aligned summit and the Iran-Iraq war.

Shyekh Oleslam hedged the question which country Iran would prepare for the next summit since the venue had been changed from Baghdad. He said Iran was only concerned that Iraq under President Saddam Husayn--who according to him was guilty of unprovoked aggression against Iran--should not be allowed to stage the summit as it would lead to results contrary to the avowed declarations and principles of the non-aligned movement.

He said Iran was also keen that the summit should be held as far as possible on the appointed date next month in a country acceptable to Tehran. He said there could possibly be some delay for the alternative government to make arrangements for the summit, but that should be as short as possible. Any long postponement of the summit, he warned, would damage the non-aligned movement.

CSO: 4220/282

NEW STEPS TAKEN TO COMBAT SMUGGLING

GF061322 Karachi DAWN in English 4 Aug 82 pp 1, 8

[Article by Saghir Ahmed]

[Text] Stringent measures have been adopted for the eradication of smuggling. These included opening of new customs check-posts, reinforcement of manpower, providing more speed boats and sophisticated weapons to root out the menace and a review of enforcement of customs laws.

Mr G. Ashraf Jahangir, member (custom) Central Board of Revenue, told DAWN in an interview that a note of protocol had been signed with the German Government. Accordingly six German shepherd drug detective dogs accompanied by their handlers will reach Karachi when the necessary infrastructure had been completed here.

He said the programme includes training of some custom officers having aptitude for the drug detection in Karachi and later in Germany. The drug dogs scheme will be extended to Peshawar at a later stage, but Karachi will take the lead, he added.

Mr Jahangir said that two modern boats have already been acquired but a 19-meter-long boat needed for anti-smuggling purposes could not be acq ired mainly owing to "the red-tapism of another department." However, adequate funds have already been earmarked for the purpose. A Korean firm had been trying to meet all the 'objections' raised by "that particular department" in order to make the delivery, he said, adding that the customs will have at least five speed-boats.

Besides, orders have been issued for acquiring some more launches and boats manufactured in Pakistan for patrolling within the harbour and in the creeks. This step, he said, would enable the customs anti-smuggling units to have more patrolling for effective checks. He has asked all his collectorates to provide details of additional arms and ammunition needed by them.

Replying to a question, Mr Jahangir said that he was satisfied with the customs' performance in the field of anti-smuggling particularly the big narcotic hauls of heroin and other drugs.

He said that a new agreement was being negotiated with the Drug Enforcement Administration (DEA) of the United States because of the expiry of the existing agreement between Pakistan customs and DEA and that more modern equipment for combating the drug smuggling are likely to be given to customs drug enforcement agency, he said.

Mr Jahangir referred to the opening of the new customs checkposts at Jati, Rehri, Sujawal, Keti Bunder and Shah Bunder, etc. On the basis of standard models--one pilot model is already there at Islamabad. The TV close circuit system will start functioning some time this year at Karachi to be followed up in Islamabad. Adequate funds have already been allocated for the purpose.

He pointed out that customs laws will be amended soon to provide deterrent punishment to the culprits and to take away anti-smuggling work from other agencies particularly from the police and the FIA [Federal Investigation Agency]. Some of its laws had already been amended, he added.

The customs chief before his departure for Islamabad yesterday, said that the "recommendations about the re-organization of customs services in Pakistan" have been finalised.

The meeting was attended among others by the federal government officials from establishment division, cabinet and Ministry of Finance who also went round the various departments of the customs to examine its working at the airport and wharves in sheds.

The meeting is understood to have proposed some administrative changes besides reviewing the present pay scales.

CSO: 4220/282

DETERIORATING KARACHI UNIVERSITY SITUATION REPORTED

GF081016 Karachi DAWN in English 6 Aug 82 pp 1, 5

[Text] The situation at the Karachi University campus deteriorated yesterday when some groups of students locked the offices of several teaching departments.

According to a university press release, the matter was discussed at an emergency meeting of the advisory committee convened by the vice-chancellor, Dr S.M.A. Tirmizi.

It said the meeting noted that for some days certain groups of students were insisting on admission without merit, but this move was being resisted by the administration.

Having failed in their efforts, these student groups spread rumours of admission irregularities and hurled allegations in this regard.

Yesterday, the university press release said, a certain group of students went to some departmental heads and insisted on admission irrespective of merit.

When their demand was rejected, the students locked the offices of several teaching departments which were, however, opened later by the administration.

The meeting decided that if any student or group of students committed any such illegal activity again, they will be dealt with according to the rules and procedures of the discipline committee.

Among others, the meeting was attended by the registrar, the deans, provost, adviser for students affairs, and representatives of the Karachi University Teachers Society [KUTS].

The KUTS held a separate emergency meeting to discuss the situation and passed a unanimous resolution "strongly condemning" the concerned students.

The resolution also asked the students to forthwith stop the lock-out and give due respect to the teachers and the alma mater.

If the students did not refrain from this "illegal activity," the KUTS would be obliged to advise its members to "stay away from teaching work," the press release added.

The joint secretary of Karachi University Students Union, Mr Ayaz Sarwat Farooqui, has condemned the USM [United Students Movement] supporters for locking the departments, and called on the university administration to take severe action against them.

In a press release, he alleged that the USM supporters misbehaved with the chairmen and teachers of the departments and locked the offices which were busy in finalising admission formalities.

He alleged that through these actions, the USM leaders were seeking admissions for their undeserving supporters.

He further said that the police posse at the campus remained passive spectators when the departments were being locked. He alleged that the police and the administration wanted to create unrest at the campus.

A United Students Movement press release said the students "resorted to the extreme measure" and claimed that they locked offices of all the teaching departments.

It reiterated allegations of admission irregularities, saying that deserving students had been deprived of admission at the cost of "ineligibles."

The situation had aggravated because the number of seat was the same as last year, it said, and demanded redress of "genuine admission-seekers grievances."

CSO: 4220/282

BRIEFS

IRANIAN AMBASSADOR MEETS NEWMEN--Lahore, 5 Aug--Abu Sharif Zamani, Iranian ambassador to Pakistan, said here today that Iran-Iraq war would abate if Iraq stopped bombing of Iranian towns and cities. The Iranian forces, he said, had entered into Iraq only to guard the Iranian security. Addressing a press conference here today, Abu Sharif regretted the role of some international news agencies, which were propagating that Iran was being helped by a superpower and Israel. The Iranian envoy said that Israel was the real enemy of Islam and expressed his country's wish to make an Islamic front against Israel. He hoped that no country would participate in the conference scheduled to be held in Baghdad in September, because Iraq had invaded a sovereign state. Agencies add: Mr Abu Sharif said his country wished to have good relations with the neighbouring countries specially the Islamic states and that it had no intention of occupying the territory of any neighbouring state. The Iranian envoy supported the proposal of joint ummah army to liberate al-Quds and Palestine from the Zionist occupation. He said this army, if set up, would also safeguard the rights of Muslims in all the countries. [Text] [GF150830 Islamabad THE MUSLIM in English 6 Aug 82 p 8]

CSO: 4220/282

CEILING IMPOSED ON NEW FOREIGN BORROWINGS

Kuala Lumpur BUSINESS TIMES in English 26 Jul 82 p 1

[Text]

THE Philippines continued to reel from the global effects of recession during the first six months of this year and had to prop up its economy with more foreign borrowing as export earnings declined and balance of payments deficit widened, according to the Central Bank report.

The first semester report on the economy by bank governor Jaime C. Laya showed the balance of payments deficit at US$675 million, up by 353 per cent over the US$149 million recorded in the same period last year.

The report, which was submitted last week to President Ferdinand Marcos, also showed the Philippines traditional exports of copper, sugar and oil taking a beating on the international market, resulting in a 9.9 per cent drop in its overall export earnings to US$2.742 billion.

Imports, however, rose during the same period by 3.1 per cent to reach US$4.053 billion resulting in a deficit of US$1.311 billion in the country's merchandise trade.

The trade deficit rose by 47.46 per cent over the previous year's record of US$889 million.

Mr Laya said the country's total foriegn debts amounted to US$15.278 billion. The amount included the 4.3 per cent increase of fixed term foreign loans amounting to US$11.863 billion and US$3.412 billion in total outstanding revolving credits recorded as of March 30.

He said rising foreign debts and the widening balance of payments deficit prompted the monetary authorities to impose for the first time an absolute ceiling on the country's new foreign borrowings this year. The limit was set at US$2.4 billion.

Despite these adverse factors affecting the Philippine economy, the government continued to open its domestic market and raised to 873 the total number of imported products competing with domestic industries.

Mr Laya said the trade liberalisation measures allowed the import of more foreign goods to encourage Philippine industries to upgrade their efficiency and force them to be more competitive.

Although the country's total exports dropped, Mr Laya noted that now traditional exports grew by 17.6 per cent and increased its share to US$1.333 billion or 48.7 per cent of total export earnings during the period.

Cited as the most notable plus factor was the continued reduction of the inflation rate from 13.3 per cent as of year-end 1981 to 10.4 per cent during the period together with the 2.2 per cent reduction in total oil imports to US$3.412 billion.

Mr Laya said the government would continue its "counter-cyclical policy" of credit support for copper, nickel and other metal producers in addition to opening medium and long-term rediscount windows for various export-oriented industries.

Although the Philippines peso depreciated by 7.5 per cent against the US dollar, Mr Laya said the Philippine money market continued to be active and have stable interest rates.

Based on present developments, he said, the economy could expect "an acceptable rate of growth" this year and inflation should decline to single digits. — AFP

CSO: 4220/647

NEW POWER PROJECTS WILL REDUCE OIL CONSUMPTION

Kuala Lumpur BUSINESS TIMES in English 8 Jul 82 p 2

[Text]

MANILA, July 7 Philippine President Ferdinand Marcos approved a ten-year power expansion programme costing 67.6 billion pesos to speed electrification of the country and reduce reliance of the electricity supply industry on imported oil, a copy of the plan showed.

Announcement of the approval was made last week after major power plants of the state-owned National Power Corp (NPC) broke down last month touching off complaints from businessmen.

The President's office said the programme will meet the projected increase in power consumption from 14.9 billion kilowatt hours in 1980 to 31.7 billion kilowatt hours in 1990.

The plan aims to reduce oil consumption during the 10-year period by about 160 million barrels, equivalent to estimated savings of US$3.44 billion based on the current price of oil.

NPC's expansion programme was developed to fill the projected gaps between electricity demand and supply in the various areas, reduce the share of oil-based power plants and complete by 1988 the backbone transmission systems in Luzon, the main island.

The plan will reduce to 30 per cent in 1988 and to 15 per cent in 1990 the share of oil-based power plants, which had gone down from 80 per cent in 1977 to 67 per cent of electricity production in 1980.

Oil consumption of the electricity supply industry will go down from 17.3 million barrels in 1980 to 12.3 million barrels in 1988 and to 10.4 million barrels in 1990.

To minimise investment outlays and generation costs, the programme said only projects with final feasibility studies will be included and financing of the investment projects from government revenues will step in 1984, after the backbone transmission system has been completed.

Of the 67.6 billion pesos needed for the expansion, 16.8 billion pesos will be used to complete 18 projects outstanding at the end of 1980 and 31.1 billion pesos for 13 new generation and transmission projects after 1980.

Under the expansion programme, the NPC capacity will increase to 8,364 megawatts by 1990 Rs 4,130 megawatt (mw) capacity as of June 1982.

The NPC will construct two clusters of three hydro power projects in Cagayan Valley in Luzon as well as five geothermal projects in south-east Luzon and central Philippines. On these bases, more coal thermal, geothermal, and hydro-power plants will be built in the country's three largest islands.

To finance the peso costs of the programme, the NPC has proposed that the government will continue providing part of investment expenditures up to 1988 with power consumers subsequently paying for the full cost of electricity service plus the peso investment needed to meet growing demand and to reduce reliance on imported oil. — Reuter

CSO: 4220/647

CONTROL OVER PRIVATE SECTOR PAY BARGAINING EASED

Kuala Lumpur BUSINESS TIMES in English 10 Jul 82 p 9

[Excerpts]

AFTER 10 years of helping to fix industrial wages, the Singapore government is planning to allow employers and trade unions to battle it out themselves.

Having fashioned an economic development strategy, the government has made clear that it will take a back seat in next year's round of pay bargaining.

Since 1972 the government has been involved with business and union leaders on the National Wages Council (NWC) in working out guidelines for annual pay increases.

Although not mandatory, NWC awards are closely observed by the public and private sectors as strict government policy.

But now the authorities are beginning to see dangers to industrial relations and increased productivity in the present set up and want to leave the negotiating table free for workers and management.

That at least is the government's publicly declared goal although few in industry believe it will abandon its ultimate control over such a vital area of economic planning.

It was through the NWC that the administration of Prime Minister Lee Kuan Yew spearheaded its much-vaunted "second industrial revolution" in 1979.

This was designed to shift the island's thriving but tiny economy from labour-intensive to capital-intensive industries by deliberately jacking up wages about 20 per cent a year over three years.

But in a speech last month Trade and Industry Minister Tony Tan pledged to phase out government involvement in pay bargaining — except where the state itself is the employer — and warned both sides of the dangers of relying too heavily on government to set wage levels.

"The employee looks more and more to the government and not his employer for his pay increase. This undermines productivity since the employee does not see the link between his pay increase and the contribution he makes to the profitability of his company," the minister said.

Management is also happy with the dominant role played by government since guidelines avert costly and time-consuming collective bargaining and allow foreign companies to justify increased wage costs to their head offices by explaining them away as government pay policy, according to the minister.

If this state of affairs were allowed to continue it would result in an erosion of the manager's authority and an abdication of his responsibility to manage, Mr Tan said.

The country's political leadership, which enjoys almost total support from organised labour grouped under the National Trades Union Congress (NTUC) is not, however, about to lose the reins of industrial power.

"The government must still take the final responsibility for ensuring that the national well being is not endangered by runaway wage increases for the whole economy or a particular sector due to a very tight labour market or unrealistically low wage increases which will lead to industrial strife. The government will intervene in such circumstances," Mr Tan said.

Singapore has a total labour force of 1.3 million workers. About 230,000 of them are members of unions affiliated to the NTUC, which controls the labour movement here.

One reason behind the proposed reform is the current easing in the republic's usually tight labour market as the effects of the Western economic recession begin to be felt.

"Quite simply Singapore cannot afford to lay down an across the board pay rise this year because some employers in hard hit sectors of the economy just could not pay up," said one economist.

This year workers will get their lowest increase since the introduction of the high wage policy three years ago — between 2.5 and 6.5 per cent plus a flat S$18.50 a month.

The news of smaller pay rises followed a grim government warning that after years of rapid growth the economy was slowing down and that Singaporeans should brace themselves to withstand the chill wind of recession.

Growth in the first quarter 1982 was down to 7.3 per cent from nearly 10 per cent last year, it said, urging people to tighten their belts and cut out unnecessary spending.

Inflation, which topped 8.2 per cent last year is, however, expected to slow down slightly this year as the end of the high pay strategy will mean one less twist to the price spiral.

Few will mourn the passing of the wage policy which coincided with a jump in productivity from a real 2.6 per cent increase in 1979 to 5.4 per cent last year.

Both local and foreign businesses complained of a 90 per cent leap in wage bills which brought some of them to the brink of collapse, while workers said most of their extra income was swallowed up by increased statutory contributions and higher prices.

The decision to ditch the scheme followed government fears that high wages threatened the island's competitive edge in attracting foreign investments vital to its economic survival. — Reuter

CSO: 4220/648

THIRD WORLD DELEGATIONS STUDY COLOMBO'S FREE TRADE ZONE

Kuala Lumpur BUSINESS TIMES in English 20 Jul 82 p 19

[Article by Dalton de Silva in Colombo]

[Text]

WHEN the Sri Lankan government launched its free trade zone in 1978 it was accused of mortgaging the country to foreigners. But the subsequent success of the project has aroused the interest of Third World countries, notably China and Cuba.

The trade zone formed a central plan in the programme of President Junius Jayewardene when he came to power in 1977, pledged to a more free market economy.

The Greater Colombo Economic Commission was set up and given complete jurisdiction over an area of 415 sq km just north of the capital. It had instructions to promote export-orientated foreign investment and create employment.

Commission chairman Paul Perera said 49 factories were now operating and 13 others were under construction. Agreements had also been signed with foreign investors to establish 71 more ventures, he said.

The zone was expected to yield 500 million rupees (US$25 million) for the country in foreign exchange this year, around two per cent of the country's total export earnings, he said.

The first four years of the projects' existence would bring earnings of 1.05 billion rupees (US$52.5 million), giving the country a substantial profit on its 350-million-rupee (US$17.5 million) investment in the zone, Mr Perera said.

Incentives

The commission invited foreign companies to set up factories in the zone, wholly-owned or in collaboration with Sri Lankan entrepreneurs, to produce goods solely for export.

The first companies to arrive to take advantage of the tax concessions and other incentives were clothing manufacturers. They sought to make use of the quotas allocated to Sri Lanka under the Multi-Fibre Arrangement, which governs the textile trade between Third World and developed countries.

Other goods now produced in the zone include rubber tyres, jewellery, engineering items and toys.

Business from 20 countries, amongst them the United States, Britain, West Germany, South Korea, Hong Kong and Japan, have already invested 2.6 billion rupees (US$130 million), Mr Perera said.

The commission was encouraging electronics firms to invest in the area. Four companies have already signed agreements to manufacture electronics products, including semi-conductors.

Mr Perera said the free trade zone had so far created around 62,000 jobs for Sri Lanka's population of around 15 million.

When President Jayewardene established the zone after defeating Mrs Sirimavo Bandaranaike's party and its Marxist allies in elections five years ago, he was immediately accused by opposition groups and particularly the Marxists of selling out the country.

Ventures

But in the four years of the project, a number of Third World countries anxious to increase their foreign exchange earnings have sent delegations to study the area, centred on Katunayake, near Colombo's International Airport.

A Chinese team visited the zone before China established its special economic zone in the southern province of Guangdong, offering tax advantages and other incentives to foreign investors.

Last February Cuba opened its doors to foreign investment for the first time in 20 years when a law was passed enabling state enterprises to form joint ventures with foreign companies.

The law allowed joint Cuban-foreign companies to rent property and build new factories, tourist centres and other facilities in the country.

Government sources said Sri Lanka had invited Cuba to send a delegation to study the free trade zone and that the offer had been accepted.

At a recent Cabinet meeting, President Jayewardene said jokingly: "President (Fidel) Castro of Cuba seems to be following the path of Sri Lanka's Jayewardene." — Reuter

CSO: 4220/649

AID GROUP CONCERNED ABOUT PLANTATION INDUSTRY

Kuala Lumpur BUSINESS TIMES in English 13 Jul 82 p 2

[Text]

THE Sri Lanka Aid Group, which has agreed to extend US$667.7 million in aid this year to the country, has expressed concern about the state of the country's plantation industry, Mr Ronnie de Mel, Minister of Finance and Planning told *Reuters* in an interview.

"There are certain fears about declining production in the plantation sector and they would like us to take corrective steps to increase production," he said.

The aid group comprises 14 developed nations and three international agencies including the World Bank and Asian Development Bank, which met on Friday as they do each year to review the country's economic progress.

The country's plantation sector had been nationalised by the government which lost power in 1977, but the current government has embarked on a policy of moving away from strict government controls.

Mr de Mel said the government has been trying to improve tea, rubber and coconut plantations through re-planting, and rehabilitation spending, but the growth cycle of crops meant results would only be felt in the medium to longer term. It has also taken corrective steps to improve plantation managerial controls.

The government public investment plan 1981 to 1985 envisaged increased production through more fertiliser application, soil conservation, accelerated replanting and infilling and the encouragement of new tea, rubber and coconut plantings.

The plan aims for production of 210 million kg of tea in calendar 1985, 2,465 million coconuts and 145 million kg rubber, but the projection assumed normal weather and stable world prices.

But Mr de Mel noted world prices for all three products have fallen recently and the country has endured two droughts and one serious flood.

Economists here charged with watching the Sri Lankan economy

TOKYO, July 12

say despite significant improvements in irrigation across the country in the last few years, losses of production in tea, rubber, coconuts and rice will be significant.

The severe weather has also ended the country's hope of becoming self-sufficient in rice production in calendar 1982, Mr de Mel said.

The latest drought is affecting six districts across the country and Sri Lanka has had to import 200,000 tonnes of rice, from China and Pakistan, as part of emergency relief measures totalling about 400 million rupees, Mr de Mel said.

"If the weather is good next year, we may get close to self sufficiency," he added. — Reuter

CSO: 4220/649

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August 30, 1982